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United Nations

United Nations Children's Fund

Financial report and audited financial statements

for the biennium ended 31 December 2003 and

Report of the Board of Auditors

General Assembly
Official Records
Fifty-ninth Session
Supplement No. 5B (A/59/5/Add.2)

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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Abbreviations

AGFUND	Arab Gulf Programme for United Nations Development Organizations
CEB	United Nations System Chief Executives Board for Coordination
CDC	(United States) Centers for Disease Control and Prevention
CIDA	Canadian International Development Agency
ECHO	European Commission Humanitarian Aid Office
GAVI	Global Alliance for Vaccines and Immunization
ICRC	International Committee of the Red Cross
IFAD	International Fund for Agricultural Development
IFRC	International Federation of Red Cross and Red Crescent Societies
NGOs	non-governmental organizations
OFDA	Office of U.S. Foreign Disaster Assistance (USAID)
OPEC	Organization of Petroleum Exporting Countries
NORAD	Norwegian Agency for International Development
SIDA	Swedish International Development Authority
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNJSPF	United Nations Joint Staff Pension Fund
UNODC	United Nations Office on Drugs and Crime
UNOIP	United Nations Office of the Iraq Programme
UNOPS	United Nations Office for Project Services

UNMEE	**United Nations Mission in Ethiopia and Eritrea**
UNRWA	**United Nations Relief and Works Agency for Palestine Refugees in the Near East**
USAID	**United States Agency for International Development**
WHO	**World Health Organization**

Letters of transmittal

21 June 2004

Pursuant to financial regulation 11.4, I have the honour to submit the financial report and statements for the biennium ended 31 December 2003. These statements have been prepared and signed by the Comptroller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Carol **Bellamy**
Executive Director

The Chairman of the United Nations Board of Auditors
United Nations
New York

9 July 2004

I have the honour to transmit to you the financial statements of the United Nations Children's Fund for the biennium 2002-2003 ended 31 December 2003, which were submitted by the Executive Director. These statements have been examined by the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts, including an audit opinion thereon.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa
and Chairman
United Nations Board of Auditors

The President of the General Assembly of the United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2003

Introduction

1. The Executive Director of the United Nations Children's Fund (UNICEF) submits herewith the financial report of UNICEF, accompanied by 10 statements and supported by 3 schedules. Of these, statements I, II, III and IV are presented in line with the formats agreed upon by the Chief Executives Board (CEB) as a step towards harmonizing the accounts of agencies in the United Nations system. The financial report provides the financial results of UNICEF activities in 2002 and 2003. Highlights are summarized in the following paragraphs.

Income

2. UNICEF income in the biennium 2002-2003 totalled $3,127 million. Virtually all Governments of both industrialized and developing countries contributed to UNICEF in the period 2002-2003. Income comprised $1,425 million for regular resources, $1,018 million for other resources (regular) and $684 million for other resources (emergency). The breakdown of UNICEF income by source is as follows: 65 per cent ($2,034 million) from Governments; 31 per cent ($958 million) from fund-raising campaigns, the sale of greeting cards and individual donations; and 3 per cent ($96 million) from miscellaneous sources, including interest and exchange rate revaluation of assets and liabilities. A total of $39 million (1 per cent) was contributed under inter-organizational arrangements.

Expenditures

3. UNICEF expenditures in the biennium 2002-2003 were $2,736 million. This amount consisted of $1,040 million for programme cooperation from regular resources, $924 million for programme cooperation from other resources (regular), and $606 million for other resources (emergency). The remaining expenditures of $166 million were for management and administration.

Donations in kind

4. Donations in kind valued by donors at $335 million were delivered by UNICEF to projects during the biennium 2002-2003. These deliveries are not reflected in the financial accounts of UNICEF, although they are handled through the administrative structures of the organization.

Trust funds

5. Trust funds not related to programmes approved by the UNICEF Executive Board are not entered in the financial accounts of UNICEF as income and expenditures. These funds are used mainly to cover the cost of goods and services purchased and delivered on a reimbursable basis by UNICEF on behalf of Governments, other agencies in the United Nations system and non-governmental organizations (NGOs). In the biennium 2002-2003, UNICEF received cash of $981 million for these trust funds. Disbursements and obligations totalled $835 million.

Cash holdings

6. UNICEF has total cash of $961 million (which includes the unspent balances from trust funds in the amount of $289 million). An amount of $960 million is held in first-class banks, comprising $927 million in interest-bearing term deposit accounts and $33 million in current bank accounts. Cash on hand amounts to $1 million.

Approved programmes

7. During the biennium 2002-2003, the Executive Board approved the amount of $3,186 million for new programmes for children in countries with which UNICEF cooperates, as well as for regional and interregional projects. This total includes $1,411 million in programmes to be funded from UNICEF regular resources and $1,057 million for projects that the Board approved as worthy of support and that were financed by pledges of supplementary funds made in 2002-2003. The total also includes $718 million for projects financed by pledges for emergency relief and rehabilitation.

(*Signed*) Carol Bellamy
Executive Director
United Nations Children's Fund

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the United Nations Children's Fund (UNICEF) and audited its financial statements for the biennium ended 31 December 2003.

The Board's main findings are as follows:

(a) The financial operations of UNICEF for the biennium 2002-2003 ended with an excess of income over expenditure of $374 million; the financial position was further strengthened with a cash balance of $961 million as at 31 December 2003;

(b) The Private Sector Division reported net income amounting to $571 million, an increase of 76 per cent over the previous biennium;

(c) The Private Sector Division could improve its monitoring of the fund-raising costs of the National Committees and of the extent of their transfers of funds to UNICEF regular resources;

(d) The headquarters inventory management had major weaknesses;

(e) Despite recent efforts, the management of contributions and other receivables need to be further improved;

(f) Several aspects of human resources management were not satisfactory;

(g) Supply planning was not yet fully satisfactory, resulting in the high concentration of programme expenditure during the last quarter;

(h) Reporting to donors had a few weaknesses;

(i) The reporting of contributions in kind and donations in kind had not been considered in all aspects.

The Board made recommendations to improve the presentation and disclosure of the financial statements, to improve the monitoring of fund-raising campaign costs, to exert full control over the UNICEF brand name, to ensure the full compliance of its decisions with United Nations staff regulations and rules, to improve donor reporting management and to strengthen fraud prevention. By July 2004, the Administration planned to implement a number of appropriate remedies.

A list of the Board's main recommendations appears in paragraph 12 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Children's Fund (UNICEF) for the period from 1 January 2002 to 31 December 2003, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditure recorded in the financial statements for the period ended 31 December 2003 had been incurred for the purposes approved by the Executive Board of UNICEF, whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules and whether the financial statements of UNICEF presented fairly the financial position as at 31 December 2003 and the results of operations for the period then ended. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under United Nations financial regulation 7.5. The reviews focused primarily on the efficiency of financial procedures, the financial controls and, in general, the administration and management of UNICEF.

4. The audits were carried out during the biennium at UNICEF headquarters offices in New York, Copenhagen and Geneva, at the regional offices in Bangkok and Geneva, at the Innocenti Research Centre in Florence and at the field offices in Armenia, Bangladesh, Costa Rica, Egypt, Georgia, Honduras, Madagascar, Myanmar, Senegal, the United Republic of Tanzania and Viet Nam.

5. The General Assembly, in paragraph 6 of its resolution 57/278 of 20 December 2002, requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system. **The Board noted that UNICEF did not take any action in this regard.**

6. The Board continued its practice of reporting the results of specific audits through management letters containing detailed observations and recommendations to the Administration. This practice allowed an ongoing dialogue with the Administration.

7. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

8. A summary of the Board's main recommendations is contained in paragraph 12 below. The detailed findings and recommendations are reported in paragraphs 14 to 263.

1. Previous recommendations not fully implemented

Recommendations in the report for the biennium ended 31 December 1999[1]

9. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 1999. There are no significant outstanding matters, except for those addressed in the present report.

Recommendations in the report for the biennium ended 31 December 2001[2]

10. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 2001. Details of the action taken and the comments of the Board are included in the report and have been summarized in annex I to the present chapter. Out of a total of 47 recommendations, 35 (74 per cent) were implemented, while 12 (26 per cent) were under implementation.

11. The Board has reiterated, in paragraphs 36, 48, 53, 66 and 189 of the present report, previous recommendations not yet implemented. The Board invites the Administration to assign specific responsibility and establish an achievable time frame for their implementation.

2. Main recommendations

12. The Board's main recommendations are that UNICEF:

(a) Assess more accurately the amount of the accounts payable to the United Nations Joint Staff Pension Fund (para. 36);

(b) Issue a new instruction on non-expendable property, investigate all the remaining "suspense" items and update its inventory lists (para. 60);

(c) Be more proactive in the recovery of contribution receivables (para. 72);

(d) Revise the Private Sector Division special supplement to its Financial Regulations and Rules and update the Division's finance manual (para. 81);

(e) Further analyse the differences between planned and actual retention rates and enforce financial rule 9.04, according to which sales agents may be authorized to retain up to 25 per cent, and not more, of their gross sales proceeds from Greeting Card Operation products (para. 99);

(f) Place further emphasis on the 80 per cent target for remittances by the National Committees to UNICEF (para. 105);

(g) Exercise full control over the use of its brand name and logo by partners, and require that they use their own full name, not that of UNICEF

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[1] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5B* (A/55/5/Add.2), chap. II.

[2] Ibid., *Fifty-seventh Session, Supplement No. 5B* and corrigendum (A/57/5/Add.2 and Corr.1), chap. II.

alone, in connection with all donations, whether in cash or in kind, uncontrolled by the headquarters (para. 118);

(h) Ensure full compliance of decisions and instructions, such as on contracts and allowances, with the Staff Regulations of the United Nations and Staff Rules, and review with the United Nations Secretariat the delegation of authority to the Executive Director (para. 138);

(i) Minimize the number of staff members employed at post levels lower than their personal levels (para. 148);

(j) Improve its monitoring of consultant contracting, expenditure and evaluation (para. 181);

(k) Improve its data processing in order to efficiently support early supply planning (para. 188);

(l) Continue to improve the timeliness of the submission of donor reports and the accountability of regional offices for quality control of donor reports (para. 253);

(m) Review its overall anti-fraud policies and tools (para. 263).

13. The Board's other recommendations appear in paragraphs 23, 33, 44, 48, 51, 53, 56, 63, 66, 76, 79, 90, 109, 114, 123, 135, 140, 144, 152, 157, 162, 167, 170, 173, 176, 184, 192, 199, 202, 204, 216, 221, 224, 226, 231, 233, 235, 239, 244, 247, 249, 255 and 259.

B. Financial issues

1. Financial overview

14. The total combined income for the biennium ended 31 December 2003 was $3.127 billion for regular and other resources, an increase of 33 per cent relative to the $2.349 billion income in the previous biennium. This income was 23 per cent higher than the funding target included in the UNICEF medium-term strategic plan for 2002-2005.[3] This figure did not include trust fund receipts ($981 million; see statement V), which are not consolidated in statement I since they are not treated as income by UNICEF. The factors that contributed most to the increase in income are the increases in Private Sector Division income and in emergency relief and rehabilitation income.

15. Regular, unearmarked resources increased by 30 per cent, from $1.099 billion in the previous biennium to $1.425 billion in 2002-2003. Their share in UNICEF total income, however, decreased again, from 46.8 per cent in the previous biennium to 45.6 per cent. The decrease would have been larger if not for the 76 per cent increase in Private Sector Division income. The share of unearmarked contributions from Governments, amounting to $755 million, dropped to 24 per cent of income, while they had represented 39 per cent in 1996-1997.

16. Other, earmarked resources increased by 36 per cent, to $1.702 billion in 2002-2003. Among these other resources, funds allocated to emergency relief and rehabilitation showed the strongest increase, 58 per cent. This trend has been constant

[3] E/ICEF/2002/AB/L.9.

over the last four bienniums, as shown in table 1. Emergency funds, which represented only 11.8 per cent of UNICEF income in 1996-1997, accounted for 21.9 per cent of income in 2002-2003.

Table 1
Composition of UNICEF income
(Millions of United States dollars)

Type of income	*1996-1997*	*1998-1999*	*2000-2001*	*2002-2003*
Regular resources	1 098 (59.5%)	1 160 (55.7%)	1 099 (46.8%)	1 425 (45.6%)
Supplementary funds	530 (28.7%)	611 (29.3%)	816 (34.7%)	1 018 (32.5%)
Emergency relief and rehabilitation	218 (11.8%)	313 (15.0%)	434 (18.5%)	683 (21.9%)

17. Total combined expenditure increased by 17 per cent, to $2.736 billion, from $2.335 billion for 2000-2001. Therefore, the financial operations of UNICEF for the biennium 2002-2003 ended with a large excess of income over expenditure, $374 million, compared with a small excess of $100,000 for the biennium 2000-2001.

18. The UNICEF financial position has been further strengthened. Total fund balances and reserves increased by 53 per cent, to $1,080 million. The regular resources fund balance reached $368 million and covered 20 per cent of the unspent balance of programmes already approved by the UNICEF Executive Board, as compared with 9.6 per cent at the end of 2001.

19. The balance of cash and term deposits increased by 49 per cent, from $645 million as at 31 December 2001 to $961 million as at 31 December 2003.

Table 2
Key financial indicators

Description of ratio	*2000-2001*	*2002-2003*
Accounts receivable/total assets[a]	0.42	0.38
Cash/liability[b]	1.36	1.81

[a] A low indicator depicts a healthy financial position.
[b] A high indicator reflects the extent of cash available to settle debts.

2. United Nations system accounting standards

20. The Board assessed the extent to which the financial statements of UNICEF for the financial period ended 31 December 2003 conformed to the United Nations system accounting standards. Further to the Board's audit, UNICEF made two adjustments relating to the recognition of income and related expenditure for contributions in kind ($9.4 million) and the recognition of programme expenditure ($8.4 million). After these adjustments, the financial statements were consistent with the standards, except in relation to the issues raised in paragraphs 21 and 22 below.

21. In paragraph 28 of its report for 2000-2001,[2] the Board recommended that the Private Sector Division record differences in exchange rates in the financial period in

which they arise and terminate the allowance for foreign exchange fluctuation. The allowance procedure was terminated in 2003. However, the accrued allowance was still in the financial statement, for $19.15 million as at 31 December 2003. UNICEF stated that it would progressively use that balance to offset any exchange loss or as income in 2004 and 2005.

22. UNICEF has offset an amount of $486,405 between its payables to and receivables from the United Nations system. This results in a misstatement of both payable and receivable balances, by the same amount ($486,405), although there is no overall effect on the financial statements. Similarly, note 11 to the financial statements reflects the net balance receivable from staff members, calculated after deducting the amounts payable to staff members. This presentation does not comply with paragraph 46 of the United Nations system accounting standards, which allows for these deductions only if "a legal right of set-off exists and the offsetting represents the expectation as to the realization of the asset or settlement of the liability".

23. **The Board recommends that, in the future, UNICEF ensure that the value of payables and receivables is disclosed in full, in compliance with the United Nations system accounting standards.**

3. Presentation and disclosure of financial statements

24. In accordance with General Assembly resolution 55/220 A of 23 December 2000, on the information to be presented in financial statements, the Board continued to review the presentation of the financial statements. It was pleased to note that UNICEF continued to improve the presentation of the statements. In particular, the number of statements and schedules has been reduced from 20 in 1998-1999 to 10 in 2002-2003.

Financial reporting

25. In terms of governance principles and best practices, the following governance issues are normally reported on in a medium such as the financial report (chapter I) that precedes the financial statements:

(a) Governance and other regulatory bodies;

(b) Performance reporting and non-financial information;

(c) Social accounting issues;

(d) Risk management, continuity and internal control.

Governance and other regulatory bodies

26. The financial report of UNICEF did not contain information about governance and other regulatory bodies.

Performance reporting and non-financial information

27. UNICEF disclosed an overview of its financial performance for the biennium 2002-2003 in its financial report. However, the Board noted that the financial report did not contain data pertaining to the previous biennium. Thus, an evaluation of the performance of UNICEF against the prior biennium could not easily be made.

UNICEF also did not incorporate in its financial report non-financial information pertaining to the achievement of targets set by UNICEF in its 2002-2003 budget and in its medium-term strategic plan.

Social accounting issues

28. Social accounting issues (such as environmental, health, safety and human resource issues) are increasingly considered beneficial to users of financial statements and reports. It may be desirable to incorporate such information into UNICEF financial reports, which could include:

(a) Environmental reporting;

(b) Human resources reporting, such as analyses of the composition of staff and of the skills of current staff compared with skills needed and details on future staff requirements (including a continuity plan);

(c) Health and safety issues;

(d) Social reporting.

Risk management, continuity and internal control

29. Successful organizations depend on the constant identification of risks and continuous development of systems and controls to address those risks. Accordingly, risk-information disclosures are relevant to the needs of users of financial statements. Such disclosures would usually deal at a minimum with the measures put in place to address financial risks, to safeguard assets and financial records and to ensure continuity in case of disaster.

30. UNICEF did not include items that could normally be addressed in the financial report, such as:

(a) The existence of a disaster management and recovery plan;

(b) The internal audit function;

(c) Details of the oversight committee reviewing the work of auditors;

(d) Measures put in place to safeguard the integrity of management and financial information.

31. The provision and disclosure of additional information would be subject to, inter alia, the benefit of providing the information being greater than the cost thereof, as well as its meeting the general qualitative characteristics of relevance, reliability, comparability and understandability as stated in the United Nations system accounting standards. This should also take into account the fact that some of the information is already disclosed in other reports to the Executive Board.

32. In this regard, UNICEF should revert to paragraph 6 of General Assembly resolution 57/278 A of 20 December 2002, requesting the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system, since better disclosure would be a step towards taking a proactive approach to the review requested by the Assembly.

33. UNICEF stated that it would consider, in the context of the High Level Committee on Management, the Board's recommendation to disclose in the financial report items in terms of best governance principles, relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues.

United Nations Joint Staff Pension Fund

34. The Board recommended in paragraph 35 of its previous report[2] that UNICEF improve its pension contribution calculation. UNICEF payments made to the Pension Fund for local staff contributions were still based on monthly estimates. However, almost all UNICEF field offices have been using the Programme Manager System to process payrolls since 2003. This will reduce the use of estimates for monthly payments to, and eliminate the discrepancies with, the Pension Fund.

35. The financial statements as at 31 December 2003 include $3.2 million as an account payable to the Pension Fund, while the latter's financial statements recorded $8.6 million as an account receivable from UNICEF. At the time of the audit, the two organizations could still not explain this difference, although they had carried out their yearly reconciliation exercise during the first quarter of 2004 for the years 2001 and 2002. Their reconciliation for 2001 explained only $2 million of the $5.6 million difference identified by the Board in its 2000-2001 report.

36. **The Board reiterates its recommendation that UNICEF assess more accurately the amount of the accounts payable to the Pension Fund, in coordination with the Fund.**

Unliquidated obligations

37. In paragraph 54 of its report for 2000-2001,[2] the Board recommended that UNICEF review more thoroughly its unliquidated obligations at year's end, in compliance with the Financial Regulations. The Board reviewed a sample of unliquidated obligations totalling $28.73 million (22.5 per cent of the total). Out of this sample, only $361,000 was not a valid obligation at year's end. The Board therefore welcomes the implementation of its recommendation on unliquidated obligations.

Medical insurance plan

38. The United Nations common system medical insurance plan funds health services for locally recruited field General Service staff members and National Professional Officers (4,740 as at 31 December 2003 according to UNICEF). Other staff members are covered by the United Nations Staff Mutual Insurance Society against Sickness and Accident, whose operations are reflected in United Nations financial statement X, and to which administrative costs are charged.

39. The balance of the medical insurance plan has increased by over $29.3 million since 1989 (from $2.14 million in 1989 to $31.45 million in 2003), due to a systematic net excess of income over expenditure. The 1987 percentage rates were still applicable in 2003. UNICEF indicated that the United Nations Secretariat, in collaboration with the participating organizations, has been leading a comprehensive review of the medical insurance plan.

40. Since 1987, the plan's transactions are managed by UNICEF in the field offices. UNICEF does not compute the administrative cost, and no administrative cost is charged to the insurance plan: all costs are borne by the support budget.

41. Since the biennium 1996-1997, the medical insurance plan balance has been presented in UNICEF financial statements as a liability. According to UNICEF, this presentation is in line with the practice of the United Nations system. Such is not the practice, however, of the United Nations Development Programme (UNDP) (which discloses the cash held for the insurance plan in its assets) or of the Office of the United Nations High Commissioner for Refugees (UNHCR) (which reflects the insurance plan operations in the financial statements as a separate fund).

42. UNICEF field offices are supposed to record the premiums paid by staff members, the organization's share of contribution and the total of benefits paid in a single general ledger account. However, in 2002, the figures were distorted by numerous incorrect entries in the general ledger account.

43. Adjustments were made to correct material errors. While the balance of the medical insurance plan is reasonably stated in note 17 to the financial statements, the individual amount for premiums and expenditure may be inaccurate, by an immaterial amount.

44. **The Board recommends that UNICEF, in cooperation with other United Nations organizations participating in the medical insurance plan, finalize its review of (a) the funding of the plan and (b) the way income and expenditure of the plan are disclosed.**

Programme assistance expenditure

45. The Board pointed out, in paragraph 57 of its previous report,[2] that expenditure for programme assistance disclosed in financial statements included the cost of the recovery of support and management costs charged to supplementary and emergency funds. This figure increased to $72.5 million in 2002-2003, from $52.9 million in 2000-2001. Expenditure in financial statement I is broken down into two main lines: programme cooperation (further divided into programme assistance and programme support) and management and administration.

46. UNICEF financial regulation 1.1 defines programme activities as those associated directly with the preparation, implementation and monitoring and evaluation of UNICEF cooperation. Programme support activities will typically include units that provide backstopping of programmes on a technical thematic, geographic, logistical or administrative basis, while management and administration activities will typically include units that carry out the functions of executive direction, organizational policy and evaluation, external relations, information and administration. To comply with these definitions, the recovery of support and management costs charged to supplementary and emergency funds should be disclosed within programme support expenditure — instead of within programme assistance — because they are costs incurred for the provision of UNICEF administration of programme activities. UNICEF has informed the Board that it has reported expenditure in compliance with approvals made by the Executive Board for programme assistance relating to "other resources" programmes, which are based on gross amounts covering all costs.

47. In several cases, expenditure belonging under programme support was actually charged to programme assistance:

(a) Cross-sectoral costs ($116 million for the biennium) are defined by UNICEF as programme support costs that cover more than one policy area. These costs were charged as programme expenditure, while, in many cases, they belong in the programme support category;

(b) Some headquarters expenditure in some divisions ($852,207 in the Board's audit sample) funded by the programme budget should have been charged to the support budget, as agreed by management;

(c) The Division of Communication charged alternately some expenditure to support and programme budget in 2002.

48. **The Board reiterates its recommendation that UNICEF amend the presentation of its financial statement for cost recovery or submit a new definition of programme support expenditure to its Executive Board.**

Tax reimbursements

49. UNICEF, like any other United Nations organization, reimburses staff members for the income tax they pay in their country of citizenship. Since the 1998-1999 biennium, UNICEF has applied the recommendation of the Advisory Committee on Administrative and Budgetary Questions to charge the equivalent of the amount needed to refund staff members for income taxes levied by Member States to the voluntary contributions of the countries concerned and credit the biennial budget in the same amount.[4] Note 3 to financial statement I reports an amount of $15.3 million deducted both from the Governments' contributions and from the gross support budget (statement IV). However, schedule 1, which details the contributions received by country, presents gross contributions and not the net after that deduction. Therefore, it does not allow for the direct accounting linkage with voluntary contributions of Member States that collect such income tax that the Advisory Committee required.[5]

50. The above-mentioned deduction has been limited to the reimbursement for staff members paid under the support budget. In addition, UNICEF paid $5.2 million in respect of tax reimbursement to staff members paid under the programme budget. This amount was not deducted from the contributions of the Member States that collect the income tax.

51. **The Board recommends that UNICEF disclose all net contributions in its schedule 1.**

Accounting for contributions in kind

52. The Board pointed out, in its last two biennial reports,[1,2] that the UNICEF policy on contributions in kind was under review. By June 2004, the new policy had not been completed.

53. **The Board reiterates its previous recommendation that UNICEF expedite the finalization of its new policy on contributions in kind.**

[4] E/ICEF/1998/AB/L.2, para. 32.

[5] See E/ICEF/1999/AB/L.10, para. 15.

4. Liabilities for annual leave and end-of-service and post-retirement benefits

54. As at 31 December 2003, the UNICEF accrued liability for after-service health insurance (see note 20 to the financial statements) amounted to $182.5 million. As recommended by the Board in paragraph 23 of its previous report,[2] UNICEF established in 2003 a reserve for after-service health insurance, with an initial contribution of $30 million. The net contingent liability for other staff benefits is estimated in note 21 at $66.9 million for accumulated leave and repatriation grants. There was no provision for those benefits, the expenditure being charged against the budget appropriations of the periods when actual payments are made.

Table 3
Annual leave and end-of-service and post-retirement benefits
(Millions of United States dollars)

	2000-2001	*2002-2003*
After-service health insurance net accrued liability	196.4	182.5
Accumulated leave	35.8	33.0
Repatriation grants	20.7	33.9
Total	**252.9**	**249.4**

55. The valuation of the liability was calculated by actuaries on the basis of census and financial data provided by UNICEF. However, the submission of monthly and annual information on the medical insurance plan by field offices has been discontinued since the introduction of the new local payroll system. Although the data are available in field offices, the reliability of the data provided to the actuaries on the number of staff members enrolled could not be ensured due to the absence of formal internal control procedures for validating their accuracy. The instruction announced in 1987 on field office monthly reporting on medical insurance plan expenditure has never been promulgated.

56. **The Board recommends that UNICEF (a) promulgate its instruction on monthly reporting on medical insurance plan expenditure by field offices and (b) review the accuracy of data submitted by field offices that are used in actuarial valuation.**

5. Non-expendable equipment

57. Note 23 to the financial statements discloses a total of $118.6 million for the cost of non-expendable property owned by UNICEF (paid from the support budget) or in its custody (paid from the programme budget). After the Board noted major weaknesses in the management of the headquarters inventory of non-expendable properties during its interim audit, UNICEF began to update its inventory, removing from it in the process some 9,000 items, valued at $6.8 million. Nevertheless, the disclosure of headquarters inventory ($13.6 million; see note 23) remained inaccurate, although by an amount deemed immaterial:

(a) 6,499 items valued at less than $500 or non-attractive items valued at less than $1,500 were removed from the inventory ($1.9 million). However, several items valued at less than $500 were still on the list;

(b) 1,358 items described as obsolete, broken or unserviceable were removed from the inventory ($1.9 million);

(c) 1,383 such items were not located ($3 million). However, the inventory still included over 370 items classified as "suspense", i.e., for which no location has been identified ($1.1 million);

(d) The inventory list still included many items without indication of date or price of purchase;

(e) A physical check of a sample of items conducted by the Board in April 2004 showed that some recorded items were missing, broken or no longer in use; some recently purchased items were not yet recorded, and some items were not located.

58. These shortcomings were due partly to a lack of accurate information from the headquarters divisions to the unit in charge of the inventory.

59. Similar weaknesses were found in the inventory of non-expendable property in Geneva and in five of the country offices visited during the biennium under review. By May 2004, UNICEF planned to issue a new administrative instruction on inventory management and to create a system enabling the headquarters inventory clerk to be notified of any purchase order related to non-expendable property.

60. **The Board recommends that UNICEF (a) issue a new instruction on non-expendable property, (b) investigate all remaining "suspense" items and (c) update its inventory lists.**

61. The policies and procedures on Property Survey Boards are set in financial circular 10, issued in 1979 and amended in 1982. The main responsibility of the Boards is to ensure that UNICEF property is safeguarded and that its disposal is properly undertaken. Between March 2000 and May 2004, there was no formal meeting of the headquarters Property Survey Board. While financial circular 10 states that the Chairman must call a meeting of the Property Survey Board to deal with referrals made to him, approvals for disposals have been given through a written procedure that takes over two months to complete and does not comply with the circular or with best practices.

62. Contrary to financial circular 10, the same headquarters Property Survey Board did not submit a yearly statement to the Comptroller over the last three years and did not investigate the items listed as "suspense" in the inventory, though they could be missing property. Compliance with the circular could have helped prevent the problems listed above.

63. **The Board recommends that UNICEF comply with financial circular 10, regarding the role of the headquarters Property Survey Board, including in respect of the investigation of missing property.**

6. Accounts receivable

National Committee receivables

64. Amounts due from National Committees and other Private Sector Division partners amounted to $312.5 million at the end of 2003, an increase of 54.4 per cent since the last biennium. This increase was due mainly to higher net proceeds from

both sales and private sector fund-raising. The allowance for doubtful accounts ($9.1 million) had increased by 147 per cent since 2001.

Table 4
Private Sector Division accounts receivable
(United States dollars)

	2001	*2002*	*2003*	*Variance (percentage)*
Accounts receivable	**208 732 000**	**258 865 000**	**312 504 000**	**+50**
Allowance for exchange rate fluctuation	20 919 086	19 155 154	19 155 154	-8
Allowance for doubtful accounts (percentage of total accounts receivable)	3 687 266 (1.8)	6 129 682 (2.4)	9 086 495 (2.9)	+147
Net accounts receivable	**184 126 000**	**233 579 000**	**284 263 000**	**+54.4**

65. In paragraph 42 of its 2000-2001 report,[2] the Board of Auditors recommended that UNICEF manage more proactively its accounts receivable from National Committees. A review of a sample of National Committee accounts receivable showed that the supporting documentation for each balance was not standardized and sometimes was not even provided. The planning for remittances for 2002 and prior balances and the planning for potential write-offs were not systematically established. The Private Sector Division did not conduct properly a regular collectability analysis of outstanding receivables. The analysis was limited to the production of a table of balances with no explanation for the delays in collection or the actions taken. The Private Sector Division normally sets the allowance for doubtful accounts at 3 per cent of the total of accounts receivable.

66. **The Board reiterates its recommendation that the Private Sector Division manage more proactively its accounts receivable, by systematically planning for remittances and write-offs and by a thorough annual collectability analysis of all receivables.**

Contributions receivable

67. UNICEF records contributions as income in its financial statements during the year they are pledged. The amount of contributions still receivable at the end of the biennium 2002-2003 increased to $269 million (an increase of 26.5 per cent over the previous biennium) and represented a stable percentage of the total contributions received. Receivables dating back to 1992 ($161,930), 1995 ($156,170) and 1996 ($788,920) were still outstanding.

68. In paragraph 38 of its report for 2000-2001,[2] the Board recommended that "UNICEF implement new procedures so that files and documents will provide reliable information for the management and control of contributions receivable." UNICEF has improved its management of contributions. However, the Board noted that the follow-up of outstanding contributions receivable still suffered from a lack of coordination between the Division of Financial and Administrative Affairs and the Programme Funding Office, which have joint accountability. Two series of files are maintained simultaneously by them for the outstanding receivables. After the Board's

audit, UNICEF further clarified the joint accountability of the two units: the Division provides the detailed analysis of contributions, while the Office collects them and follows up with donors on that basis.

69. The revision of financial circular 31, as recommended by the Board, has clarified the procedures for the write-off of the oldest outstanding receivables, although not the respective tasks of the Division and of the Office. Circular 31 does state that the Programme Funding Office will follow up the outstanding receivables associated with major donors and that the Division of Financial and Administrative Affairs will follow up those from other sources, either directly or through the appropriate mission or field office, but this provision has not been implemented.

70. In 80 per cent of the cases the Board reviewed, the Division's contribution files contained no documentation showing that UNICEF had taken any action to obtain the payment of contributions from donors or to explain their non-payment.

71. The quarterly progress reports for supplementary funds are not exhaustive, since they do not state the oldest outstanding receivables. The quarterly report issued in July 2003 did not state what receivables had been outstanding since before 1998. UNICEF sends donors individual statements that do not list the outstanding receivables and do not request their payment.

72. **The Board recommends that UNICEF (a) be more proactive in the recovery of contributions receivable and (b) document its efforts to collect them, in compliance with financial circular 31.**

73. A total of $12.4 million in contribution pledges that did not materialize was written off during the biennium (an increase of 19 per cent over the previous biennium). The review of a sample of contribution files (for $69.2 million) shows that an additional amount of $1.6 million (2.3 per cent) should have been written off, in compliance with financial circular 31, since more than three years had elapsed since the expiry date of the pledge.

74. A risk of overstatement of receivables results from a special procedure applied to some contributions received from one country. The payment of the contributions is made quarterly, on a reimbursement basis. When funds for a closed project within a global grant are unspent, the receivable will remain outstanding until the global grant is closed. The Board identified $2.2 million in such contributions receivable from this donor country, which in fact were no longer receivable and would have been written off in the normal procedure.

75. The UNICEF provision for uncollectable contributions, set at $5 million, has remained unchanged since 1997. Over the last three bienniums, the average yearly write-off of uncollectable contributions amounted to $6.4 million. The Board furthermore found, in a sample covering a quarter of the total contributions receivable, doubtful contributions amounting to $5.5 million (old contributions that should be written off soon). The Board considers that the provision should be based upon an amount of specific receivables known to be in doubt, to which a prudent percentage would be applied.

76. **The Board recommends that UNICEF review each year the adequacy of its provision for uncollectable contributions and cover all receivables identified as in doubt.**

77. According to UNICEF financial circular 31, issued in 1988, non-governmental contributions are to be recognized as income on a cash basis. They are therefore never accounted for as contributions receivable. The circular allows for some exceptions to be made by the Comptroller on a case-by-case basis for the recognition of income based on a pledge. Such exceptions must be approved in advance. The circular adds that if a valid pledge is approved as an exception, it will be limited to current-year income.

78. Since 1989, UNICEF has, however, recognized the contributions coming from one non-governmental organization on a pledge basis, without the Comptroller's annual authorization. In 2002-2003, UNICEF wrote off $1.5 million of contributions receivable from this donor. As at 31 December 2003, the receivables from the donor amounted to $7.7 million, out of which only $1.2 million related to 2003 pledges. UNICEF informed the Board that $4.2 million of the amount outstanding from this donor had been received in January 2004.

79. **The Board recommends that UNICEF fully comply with financial circular 31 for the annual approval of the recognition of income from non-governmental donors on a pledge basis.**

7. Private Sector Division manual and financial rules and regulations

80. The Private Sector Division manual has not been updated since 1995, while the fiscal period changed in 1997 and the financial data-processing system in 1999. The manual had yet to be updated by mid-2004, especially on rules that affect the accuracy of the financial statements, such as those on date of exchange rate, instances of write-off and destruction policies. Similarly, UNICEF had yet to update the financial regulations and rules of the Division (still entitled "Greeting Card Operation special supplement").

81. **The Board recommends that UNICEF (a) revise the Private Sector Division special supplement to its Financial Regulations and Rules and (b) update the Division's finance manual.**

8. Write-off of losses of cash, receivables and property

82. UNICEF wrote off $16.4 million in cash, accounts receivable and other assets, an increase of 19 per cent from the amount of $13.8 million for the previous biennium. This comprised $13.74 million in contributions and other receivables, $1.33 million in stock write-off and $1.28 million in other assets.

83. Moreover, $4 million in obsolete inventory and $13 million in prior years' accounts receivable were written off against Private Sector Division income over the biennium.

84. UNICEF sets aside an amount as a provision for the write-off of National Committee accounts receivable that has already been decided. It decreased by 33 per cent in 2003, to $5.2 million; 45 per cent of outstanding amounts to be written off were more than three years old. UNICEF waived the remittance of a $1.7 million amount outstanding that was deemed irrecoverable from one National Committee. This adjustment was related to a lengthy reconciliation process relating to a balance outstanding for more than six years. The line "Amendment to retention" in table 5 reflects the amounts to be written off when National Committees retained more funds than provided for in the initial agreement.

Table 5
Private Sector Division receivable write-offs
(United States dollars)

	2002	*2003*	*Change (percentage)*
Amounts outstanding for more than three years and considered irrecoverable	509 738	2 317 443	+355
Mistakenly reported twice, as regular and other resources	6 743 248	1 381 428	-80
Other reasons	235 817	891 110	+278
Amendment to retention	127 445	600 409	+371
Total	**7 616 250**	**5 190 392**	**-32**
Provision for write-off	*7 792 339*	*5 191 016*	*-33*

9. Ex gratia payments

85. In line with UNICEF financial rule 113.9, the Administration provided the Board with information on three cases of ex gratia payments totalling $41,400, one of them (for $37,080) to an international staff member reassigned from New York to another continent but whose family was staying behind.

C. Management issues

1. Private Sector Division

Follow-up of previous recommendations

86. In its report for 2000-2001, the Board noted that the Private Sector Division net income of $324.4 million for the biennium was 2 per cent below target and had decreased by 20.6 per cent per year between 1999 and 2001. This trend has been reversed. Income generated by the Private Sector Division increased by 38 per cent between 2001 and 2003, to $462 million in 2003.

87. The Private Sector Division's statement of income and expenditure reflects only (a) the sales of greeting cards and other products by the 36 National Committees and by a few field offices and (b) the share of the private sector fund-raising activities income coming from National Committees and allocated to regular resources. It does not include the share of the National Committees' income provided to other UNICEF resources, which is reflected in UNICEF financial statement I.

Table 6
Private Sector Division income and expenditure
(Thousands of United States dollars)

	2001	2002	2003	2001 to 2003 variance (percentage)
1. Gross proceeds from cards and products	100 999	125 925	151 469	+50
2. Operating charges	(82 000)	(93 535)	(109 902)	+34
3. Other income	12 128	5 461	5 511	-55
4. Net operating income for products	31 127	37 851	47 078	+51
5. Fund-raising net operating income	147 015	236 844	249 517	+70
6. Other income and charges	(17 057)	6 647	7 179	
7. Net income (in financial statements)	**161 085**	**281 380**	**289 416**	**+80**
8. Income, including other resources, not included in financial statements	***335 300***	***423 300***	***461 600***	***+38***

88. As at 31 December 2003, 31 of the 36 National Committees had signed new cooperation agreements based on a 2000 model (compared with 20 as at 31 December 2001). The remaining five agreements were expected to be signed by the end of 2004.

89. UNICEF reviewed in 2002 the joint planning process, with a three-year rolling plan and a detailed set of indicators for performance assessment. The Private Sector Division designed a new joint strategic plan, an annual and medium-term strategic business plan to be signed with National Committees within the framework of the cooperation agreements. By May 2004, 16 National Committees had signed one of these two planning documents; another five were being drafted.

90. **The Board welcomes the development of the new joint planning documents with National Committees and recommends using them with all National Committees.**

91. The Board recommended, in paragraph 198 of its previous report,[2] that UNICEF strengthen its inventory management in order to reduce destruction costs. The rate of product returns relative to the number of products delivered decreased from 17.1 per cent in 2000 to 8.6 per cent in 2002. The rate of destruction decreased from 17.6 per cent in 2002 (21.3 million cards destroyed) to 3 per cent in 2003 (provisional data excluding destruction by field offices and National Committees). The destruction in 2002 was related to 1997-1999 cards. UNICEF expected that the implementation of optimized production and delivery would be reflected in reduced destruction rates in the future.

Table 7
Rate of return and destruction of Private Sector Division products

	Delivered	*Sold*	*Returned*	*Returned/ delivered*	*Destroyed*	*Destroyed/ delivered*
2001	130 092 596	96 252 212	23 443 000	18.02%	20 662 200	15.9%
2002	157 825 714	115 960 886	18 443 995	11.69%	24 518 948	15.5%
2003	151 751 257	N/A	13 080 667	8.62%	4 748 612[a]	3.1%

[a] Does not include destruction by field offices and National Committees.

92. The value of the Private Sector Division inventory decreased by 27 per cent between 2001 and 2003, from $7 million to $5 million, with fewer finished goods in UNICEF warehouses thanks to improved procedures.

93. The Board's recommendation to harmonize the country offices' Private Sector Division and support budget processes was implemented. Regarding the design of a procedure for the legal, operational and financial review of fund-raising contracts, in April 2004 UNICEF was drafting a standard agreement and was to submit it to the United Nations Office of Legal Affairs. The Administration also planned to consult with other parts of the United Nations system to benefit from their experience.

Contribution reporting

94. The Private Sector Division has had financial reporting requirements in place for National Committees since 2000. The requirements include a cash accounting report, a financial reporting package, a sales reconciliation worksheet, an annual work plan, a revised forecast and a strategic plan, with objectives and key performance indicators. In November 2003, the cash accounting report was replaced by a new revenue and expenditure report form, which is the supporting documentation for monitoring the actual contribution rate, recording receivables from National Committees. It details gross revenue by source from National Committees. By the end of March 2004, the Division had received provisional revenue and expenditure reports from 34 out of 36 National Committees (94.5 per cent) for the 2003 accounting period. The new reporting process for National Committees and its successful implementation in 2003 constitute a major improvement.

95. The retention rate is the portion (25 per cent) of gross proceeds kept by National Committees for their own expenditure. The contribution rate (to UNICEF, the other 75 per cent) is based on strategies, planned activities and agreed structures, through annual work planning for each National Committee. The number of agreements signed increased in 2003, but six joint strategic plans did not include a contribution rate and eight did not calculate it in a satisfactory way. Furthermore, 12 cooperation agreements did not specify any rate. Consequently, UNICEF could still obtain the same contribution base rate from each National Committee.

96. The 2004 targeted rates were not provided by 2 April 2004, although the National Committees had to confirm their targeted contribution rates through an annual work plan and a confirmation from brand groups. The risk is that such a delay — several months from the beginning of the accounting period for most National Committees — may limit the ability of UNICEF to prepare income and cash-flow projections.

97. The actual contribution rate is now indicated in the revenue and expenditure report forms. According to the Private Sector Division, planned and actual retention rates are equally relevant for assessing the National Committees' performance. The average contribution rate was 69.4 per cent in 2003 (compared with 69.5 per cent in 2002).

98. There were significant discrepancies between agreed and actual retention rates. For 15 National Committees, the agreed rates were higher than the 25 per cent target, while 24 National Committees had an actual retention rate above 25 per cent (up to 63 per cent). One National Committee had an agreed 35 per cent retention rate in 2003 but an actual rate of 45 per cent. Such rates do not comply with Private Sector Division financial rule 9.04, according to which the sales agents may be authorized to retain up to 25 per cent, and not more, of their gross sales proceeds from Greeting Card Operation products.

99. **The Board recommends that UNICEF (a) further analyse the differences between planned and actual retention rates and (b) enforce financial rule 9.04, according to which the sales agents may be authorized to retain up to 25 per cent, and not more, of their gross sales proceeds from Greeting Card Operation products.**

Fund-raising activities

100. The total net proceeds from private sector fund-raising for 2002-2003 were $503.7 million, an increase of 61 per cent from the previous biennium. After the deduction of Private Sector Division fund-raising operating expenses, the net operating income amounted to $486.3 million. The increase was due largely to an exceptional donation of $56.2 million in 2002 and to the decrease in value of the United States dollar, leading to significantly higher remittances from euro-zone National Committees, although such an increase is not reflected in local currencies. A stronger dollar would therefore mean a potential reversal of the trend. The work plan and proposed budget for 2004[6] do not state the exchange rate assumptions used for resource planning.

101. Fund-raising is a geographically concentrated resource, as table 8 shows. Five National Committees accounted for 80 per cent of the total net proceeds.

[6] E/ICEF/2004/AB/L.1, 20 November 2003.

Table 8
Net fund-raising proceeds 2002-2003
(United States dollars)

National Committee	*2002-2003*	*Percentage of total*
Japan	165 799 248	33
France	82 829 309	16
Netherlands	57 843 816	11
Italy	48 046 459	10
Germany	47 734 734	9
Subtotal	**402 253 566**	**80**
Others	101 433 295	20
Total	**503 686 861**	**100**

102. The executive directive on fund-raising (CF/Exd/2003-013) stated that the effort to increase regular resources was the most critical fund-raising challenge for UNICEF. Regular resources are not earmarked and therefore can be used by UNICEF according to its own objectives, whereas donors or National Committees earmark other resources for specific projects. UNICEF aimed at a target of 80 per cent of National Committee fund-raising proceeds transferred to UNICEF to be allocated to regular resources and 20 per cent to other resources, excluding funds for emergencies, for the period 2003-2005. In a context of strong increase, the global proportion of fund-raising income (excluding emergency funds) allocated to regular resources remained stable: 64.3 per cent in 2002-2003 against 63.9 per cent in 2000-2001.

103. Out of the seven agreements signed with National Committees between January 2002 and April 2004, the targets fixed for 2005 allocation to regular resources vary from 50 per cent to 88 per cent. The percentages for National Committees varied widely in 2003. Nine were over the 80 per cent target, seven between 70 and 80 per cent, five between 40 and 70 per cent and four below 40 per cent.

104. These agreements also mention the allocations to other resources that the Committees have selected within the priorities of medium-term strategic plans. Progress relating to these commitments is to be monitored through several tools, including an annual review. One of the biggest National Committees earmarked its proceeds entirely for other resources projects, and none of its fund-raising proceeds are comprised in the Private Sector Division 2002-2003 financial statements.

105. **The Board encourages UNICEF to place further emphasis on the 80 per cent target in the negotiation of the joint strategic planning documents.**

106. The issue of fund-raising campaign costs presents a well-known risk in terms of image and donor motivation. The Private Sector Division records only net proceeds from fund-raising, but it receives information on the National Committees' gross proceeds and can therefore calculate their campaign costs. The average worldwide rate of total direct costs was 30.3 per cent of the gross proceeds from fund-raising for the last two campaigns (2002-2003). Among the National Committees with more than $1 million in fund-raising income, four had an average rate of less than 25 per cent.

107. Four National Committees had an average rate over 40 per cent, including two over 50 per cent. Traditionally, the fund-raising profession considers it difficult to compare and benchmark such rates, due to potential differences in the factors affecting them. After the Board's interim audit, the Private Sector Division nonetheless launched an analysis of the 2003 cost structure, to be completed in 2004 and to become recurrent.

108. The higher percentages reported above may present two major risks. The first risk is that a public disclosure of the highest ratios might alter the image of UNICEF and negatively impact the good will associated with it. The second risk is that the lack of proper monitoring and guidance might lead to a less-than-satisfactory level of fund-raising performance. While respecting the National Committees' independence, it should be noted that they operate under the United Nations and UNICEF logo, brand and reputation. The Board therefore commends UNICEF for introducing a monitoring tool.

109. **The Board recommends that UNICEF share the forthcoming yearly fund-raising cost structure analysis with the National Committees and provide incentives to limit fund-raising costs.**

110. The fund-raising income for regular resources is recorded as receivables by the Geneva office, on the basis of provisional and then final revenue and expenditure reports, while payments are received by the New York Treasury. The Division of Financial and Administrative Management in New York records the fund-raising income for other resources as income in the UNICEF financial statements when it receives the actual cash payments.

111. A footnote to the Private Sector Division financial statements for 2003 indicates that the net fund-raising income excludes $172.2 million recognized as other resources, compared with $141.9 million in 2002, and states that this is shown in the UNICEF financial statements. The Division of Financial and Administrative Management provided the figure in the footnote to the Private Sector Division. This figure cannot be reconciled with the figure in the revenue expenditure report ($180.5 million for 2003).

112. The Private Sector Division operations manual, in section 9, states that income from private sector fund-raising activities is recorded on a cash basis of accounting, i.e., the actual amount of cash received by partners from donors during the campaign period. This is not the case for funds allocated to regular resources, which are accounted for on an accrual basis.

113. This accounting procedure creates an inconsistency in the way fund-raising income is recognized, and it impairs the follow-up of accounts receivable in terms of income allocated to other resources. In 2003, $1.4 million out of the total of $5.2 million in contributions written off were duplicate accounts receivable, recorded as regular resources and at the same time as other resources. However, progress was made, since these duplicate accounts receivable were only 27 per cent of the total write-off in 2003, down from 88.5 per cent in 2002.

114. **The Board recommends that UNICEF harmonize the accounting methods of the National Committees' fund-raising income.**

Donations in kind

115. The financial report of the Executive Director mentions the fact that donations in kind valued by donors at $335 million were delivered to projects during the biennium 2002-2003. This amount includes $314 million in medicines donated by two manufacturers and distributed through one National Committee to a variety of beneficiaries. They did not fall within the UNICEF country programme, and there was no involvement of UNICEF headquarters. Local UNICEF staff may have helped ensure that the medicines were delivered to the recipients (Government services or local non-governmental organizations).

116. The web site of the National Committee concerned mentioned that a supplier had donated "to UNICEF" drugs "valued at over $445 million" over the years.

117. The $445 million figure provided for the value of the supplier's donations in kind was never verified by UNICEF, which never had any legal commitment to or from the supplier in regard to such a donation. The Board understands that the UNICEF brand and logo encompass all National Committees. However, it would be risky for UNICEF, as a United Nations fund, to let its partners or offices publicize figures of estimated donations in kind that are not under UNICEF accountability. In the case referred to here, it might have been more appropriate to say "donated through the National Committee for UNICEF" of the country concerned, to third parties, subject to verification by the National Committee's external auditor.

118. **The Board recommends that UNICEF exercise full control over the use of its brand name and logo by partners and require that they use their own full name, not that of UNICEF alone, in connection with donations, whether in cash or in kind, that are not controlled by the Administration.**

Investment funds

119. Investment funds are funds budgeted and provided to partners (National Committees and field offices) to support their fund-raising initiatives. Their budget amounted to $16.5 million in 2003 and actual expenditure to $15 million. The implementation rate (total expenditure/budget allotment) in the four ongoing investment funds was 91.3 per cent in 2003, a slight increase from 2002 (88.9 per cent).

120. This rate was reached after the transfer of 19.5 per cent of the original approved budget from the Market Development Programme to the Fund-raising Development Programme and the Nordic programme. This was decided in view of the poor implementation rate of the Market Development Programme, which was designed to expand markets and increase the sales of greeting cards and gift items. Its poor implementation rate against the originally approved budget showed the limits of this approach.

121. The low implementation rates of the research and development fund, designed for innovative approaches to fund-raising and product sales, may create a risk of underperformance in coming years. New 2004 guidelines were to reaffirm the necessity of an innovative approach.

122. UNICEF had set up a database to monitor these fund-raising investments, but was not able to report on or monitor compliance with the regulations. Overall, the number of overdue investment fund reports went down by 8.7 per cent from March 2003 (46 reports) to March 2004 (42). Although Market Development Programme expenditure represented only 15.2 per cent of overall investment fund expenditure in

2003, overdue reports from that Programme accounted for 40 per cent of the total. Similarly, the number of reports overdue from one National Committee was disproportionate (24 per cent of overdue reports, with 4 per cent of the funds received in 2003).

123. **The Board recommends that UNICEF continuously monitor fund-raising investments, funding progress and final reports.**

2. Programme expenditure

124. UNICEF produces statistics on the financial implementation rate of country programmes, reflecting the ability of country offices to spend the funds received. The overall rate increased from 89 per cent in 2001 to 90 per cent in 2003 (89 per cent for other resources and 92 per cent for regular resources). The rate continued to vary from one country to another, from 72 to 100 per cent in 2003.

125. Pursuant to the recommendation in paragraph 89 of the Board's last report,[2] UNICEF reviewed the financial implementation rate per quarter. As shown in table 9, the excessive concentration of expenditure during the last quarter remains an area of concern. The Board reiterates its concern that the concentration of expenditure at the end of the year may indicate a weakness in planning, with the risk of hasty spending and therefore of poor programme implementation and monitoring (see the recommendation in paragraph 188 below to improve supply planning).

Table 9
Programme expenditure and last quarter disbursements in 2003
(Thousands of United States dollars)

	1. 2003 total expenditure	*2. 2003 last quarter expenditure*	*Percentage 1/2*
Cash assistance to Governments	292 153	113 133	39
Staff costs	212 430	59 038	28
Supplies	437 721	229 679	52
Other programme expenditure	244 951	117 104	48
Total	**1 187 255**	**518 953**	**44**

126. The monitoring of programme implementation indicators remains mainly the responsibility of the country offices. In all cases, the information provided in the country, regional and global reports is extracted from the same Programme Manager System.

127. The global operational targets cited in the report of the Executive Director and in the medium-term strategic plan are not always measurable and time-bound.

128. The number of regional and country indicators varies widely from one office to another. All regions have management indicators (financial, human resources, donor reporting) and some indicators related to programmes (such as the estimated percentage of annual projects achieved by the end of the year), as recommended in the last report of the Board. However, most of these indicators are not related to targets that have been strategically determined beforehand. Besides, they deal mainly

with the activity of the country offices and not with the results of UNICEF activity. These indicators contribute to the monitoring of programme implementation, but not to the assessment of the local impact of its programmes.

129. The Board noted that UNICEF issued a new version of its results-based programme planning and management guide in September 2003.

3. Cash assistance

130. The amount of expenditure for cash assistance to Governments in 2002-2003 reached $479.8 million. The Board is pleased to note that the five recommendations provided in its previous report on the management of cash assistance have been implemented. The only recommendation still under implementation by May 2004 related to the accounting treatment of cash assistance. In 2003 and 2004, discussions on resource transfer modalities were held between UNICEF, UNDP, the United Nations Population Fund (UNFPA) and the World Food Programme. The discussions did not include other agencies using cash transfer modalities, such as UNHCR or the United Nations Office on Drugs and Crime. **The Board welcomes these discussions and looks forward to a quick harmonization of the resource transfer modalities throughout the United Nations system.**

131. Cash assistance was provided to Governments (85 per cent) and to non-governmental organizations (13 per cent), and funds were transferred to both for construction (2 per cent). Cash assistance increased by 43 per cent from 2000-2001 to 2002-2003. In addition, the total amount yet to be justified remained relatively constant, at $186 million as at 31 December 2003. Therefore, the percentage of unjustified cash assistance out of the total amount decreased from 51 per cent to 39 per cent.

132. UNICEF made significant progress by reducing cash assistance outstanding for more than nine months from $18.5 million in 2000-2001 to $9 million in 2002-2003, a 51 per cent decrease. As a result, the proportion outstanding for more than nine months declined from 10 per cent to only 5 per cent. The situation improved in all regions, except the eastern and southern Africa region, which now accounts for half of the amount outstanding for more than nine months.

133. In 2003, UNICEF disbursed 39 per cent of its cash assistance during the last quarter (compared with 44 per cent in 2002) and 16 per cent in December (unchanged). The rate improved in all regions, except in the West and Central Africa region.

Table 10
Cash assistance disbursements trend

Region	*Total cash assistance to Governments (millions of United States dollars)*		*Last quarter (percentage)*		*December (percentage)*	
	2001	*2003*	*2001*	*2003*	*2001*	*2003*
Americas	18.6	28.4	42	40	15	13
Central and Eastern Europe	15.8	15.9	41	36	20	16
East Asia and the Pacific	18.0	31.2	51	41	30	15
Eastern and southern Africa	52.8	79.7	47	38	18	16
Middle East and North Africa	15.2	23.6	41	36	15	19
South Asia	48.9	61.0	39	37	14	16
West and Central Africa	32.6	52.4	37	41	10	15

134. One country office had both a high concentration of disbursements during the last quarter (48 per cent) and a high percentage of cash assistance outstanding for more than nine months ($1.7 million, or 35 per cent) that it had not properly followed up. The Executive Director suspended cash assistance for that country in May 2003. This suspension was still in force one year later.

135. **While commending UNICEF for the implementation of its previous recommendations, the Board recommends that UNICEF continue its efforts (a) to further reduce the balance outstanding for more than nine months and (b) to improve disbursement planning by focusing on regions and countries presenting the highest risk in cash assistance management.**

4. Human resources

Legal framework of staff administration

136. The Secretary-General delegated to the Executive Director, in a letter dated 22 October 1947 and still in force, full authority to apply the appropriate United Nations regulations, rules and directives governing recruitment and other personnel actions. The authority to modify the United Nations Staff Regulations rests with the General Assembly, and that for making amendments to the Staff Rules with the Secretary-General (staff rule 112.2). The 1947 letter did not give the Executive Director the authority to amend United Nations rules and directives. However, Executive Directors have, over the years:

(a) Put in place a special type of contract, temporary fixed-term contracts, instead of using United Nations 300-series contracts (short-term contracts);

(b) Created the UNICEF representation allowance for heads of division and of regional and country offices;

(c) Replaced the United Nations mission subsistence allowance with a special operations living allowance;

(d) Created, within the rental subsidy scheme, the possibility of rental advances;

(e) Extended the benefits of the special post allowance to 200-series staff (project staff).

137. UNICEF uses the normative requirements set out in the United Nations Staff Regulations and Rules, as well as recommendations of the International Civil Service Commission, but is of the view that within this framework flexibility to adjust policies to operational needs is required and accepted. It did not, however, document the differences between UNICEF and other funds and programmes that would warrant deviating from the Regulations and Rules. UNICEF justified the special operations living allowance, for instance, as ensuring fair and adequate conditions of service for all operational agencies' staff serving in high-risk duty stations, but the same criteria are applicable to the United Nations system-wide. Some of the amendments were extensively discussed between UNICEF and the United Nations Secretariat's Office of Legal Affairs, but they were not validated by the Secretary-General, and they were beyond the authority delegated to the Executive Director. UNICEF has again consulted the Office of Legal Affairs on this matter and considers that it is the latter's task to keep matters of delegation up to date.

138. **The Board recommends that UNICEF (a) ensure full compliance of all its decisions and instructions, such as on contracts and allowances, with the United Nations Staff Regulations and Rules, while (b) continuing to review with the United Nations Secretariat the delegation of authority to the Executive Director.**

139. The human resources manual had not been updated between 1999 and 2003. Several sections of the manual had never been finalized. Rules on salaries and allowances were dispersed in numerous, unconsolidated instructions. Following the Board's audit, UNICEF has started to update it. Translations into other official languages were planned a long time ago, but not implemented, which may limit the manual's use in duty stations staffed mostly by non-English-speaking officers.

140. **The Board recommends that UNICEF (a) update and complete the human resources manual and (b) evaluate the cost-effectiveness of translating it into other official languages widely used in its field offices.**

Staffing and post structure

141. UNICEF has eight types of posts, as reflected in table 11. The biennial support budget submitted to the Executive Board provides an estimated distribution of posts by country. This list covers categories 1, 2 and 3, but not temporary fixed-term posts, United Nations Volunteers or supernumerary posts.

142. Posts are charged either to the support budget (42 per cent of posts in 2002-2003) or to the programme budget (58 per cent). There is no indication for posts charged against trust funds, which are mostly in categories 2 and 3. UNICEF indicated that in the future it will also include all trust fund posts with confirmed funding in the budget document.

Table 11
Evolution of authorized posts by type

	Yearly average					
	1998	*1999*	*2000*	*2001*	*2002*	*2003*
1. Established (core)	2 700	2 622	2 679	2 758	2 860	2 723
2. Fixed duration						
3. Project	3 240	3 270	3 317	3 400	3 823	4 013
4. Extrabudgetary	53	55	80	162	163	236
5. Temporary fixed-term	Not disclosed in budget					
6. Junior Professional Officers	153	171	153	205	237	252
7. United Nations Volunteers	Not disclosed in budget					
8. Supernumerary	Not disclosed in budget					
Total (1-4 and 6)	**6 146**	**6 118**	**6 229**	**6 525**	**7 083**	**7 224**

143. The support budget for 2002-2003 included provision for a total of 6,004 posts for the biennium. This figure did not include posts for which other resources funding had not yet been assured at the time of the budget approval. Such posts, though not mentioned in the staffing authorizations submitted to the Executive Board, are nonetheless "regular", i.e., they can be filled by the country offices as soon as funding is available. This presentation is not consistent with the presentation of monetary resources in the budgetary documents, which is based upon estimates for all other resources, assured or not, extrapolated using the past two years of estimated expenditure and recent indicators.

144. **The Board recommends that UNICEF (a) clearly define the criteria applied to assess the certainty of funding resources before including them in its budget and (b) disclose the fact that support budget documents include all estimated funding but only programme posts that are already funded.**

145. Annex II to the present chapter compares the authorized posts by category and grade, temporary fixed-term and consultant posts excluded, with the actual number of staff members. The difference between posts and staff (vacancy rate) has been significant all through the period. The peak observed in 2001 can be explained by expected post reductions, which led to numerous posts being left vacant. The vacancy rate is consistently above the rate used for the budget assumption for international staff (6 per cent).

146. The net increase in Professional staff posts (by 456 between 1999 and 2003) was mostly at the lower grades, with an increase of 32 per cent for P-4, 42 per cent for P-3 and 200 per cent for P-2 posts, in accordance with the 2002-2003 budget guidelines. However, the P-3 and P-4 posts are also those for which the vacancy rate is the highest, and it is increasing.

147. All categories were reported as understaffed, except for the D-1 and, in 2002, the Under-Secretary-General/Assistant Secretary-General level. The number of actual D-1 staff members is systematically higher than the number of authorized posts. This is attributed to supernumerary staff and to staff members assigned to post levels lower than their personal level. In 2003, 13 D-1s were assigned to non-D-1 level posts and

two D-1 posts were occupied by non-D-1 level staff members. UNICEF does not employ any staff without a corresponding budgeted post. However, primarily as a result of the need to rotate and place staff, there are situations where a staff member has a personal level that is different from the budgeted level of his/her post. In the specific case of D-1 level posts, there were a number of such placement cases in the period that is being considered. However, management will continue to keep these at a minimum in the future.

148. **The Board recommends that UNICEF minimize the number of staff members employed at post levels lower than their personal levels.**

149. Developing countries represent 81 per cent of UNICEF total staff, but only 47 per cent of international staff and 29 per cent of senior management (D-1/L-6 posts and above).

Table 12
Distribution of senior management posts by nationality (November 2003)

Nationality	*USG*	*ASG*	*D-2/L-7*	*D-1/L-6*	*Total*	*Percentage*
United Kingdom	0	0	2	14	16	13.8
United States	1	0	4	9	14	12
Swedish	0	0	3	7	10	8.6
Canadian	0	0	1	6	7	6
Italian	0	0	2	4	6	5.2
French	0	0	0	5	5	4.3
Danish	0	0	2	2	4	3.4
Pakistani	0	0	2	2	4	3.4
Others	0	2	12	36	50	43.1
Total	**1**	**2**	**28**	**85**	**116**	**100**
Developed countries	**1**	**1**	**20**	**60**	**82**	**70.7**
Developing countries	**0**	**1**	**8**	**25**	**34**	**29.3**

150. In 1991, the Executive Board, noting that 47 per cent of international staff came from developing countries, requested the Administration to expand recruitment from developing countries for international Professional posts, both at headquarters and at field offices, and further requested that a report be submitted at its 1992 session on action taken. No such report was ever submitted to the Executive Board, while the percentage has remained stable.

151. UNICEF considers that geographic and gender balances have been priorities. In 2001, it requested all heads of offices and human resource officers to actively identify new sources of recruitment where vacancy bulletins could be circulated. In 2002, 50 per cent of the Young Professionals Programme recruits were from developing countries. UNICEF continues to try to find more Government sponsors for Junior Professional Officer candidates from developing countries.

152. **The Board recommends that UNICEF continue its efforts to expand recruitment from developing countries for international Professional posts.**

Temporary assistance

153. UNICEF uses five types of United Nations appointments: fixed-term and permanent appointments under the 100-series rules; and fixed-term appointments under the 200-series rules, with short-term, intermediate-term and long-term subcategories. In addition, for limited durations, UNICEF uses temporary fixed-term contracts instead of appointments under the 300-series rules. Temporary fixed-term contracts are more profitable for staff members than 300-series appointments, under which they would receive no benefits such as dependency allowance and no annual leave.

154. The legal framework of temporary fixed-term appointments has been increasingly flexible since 1999, mainly through successive extensions of their maximal duration. As a result, temporary fixed-term expenses increased by 43 per cent between 2000-2001 and 2002-2003, to $100 million.

155. Temporary fixed-term contracts offer some flexibility for needs not provided for in the budget or for which UNICEF has not created posts. However, the 2002-2003 budget guidelines properly indicated that when preparing the country programme management plan, countries should provide clear information on the number and functional areas of temporary fixed-term staff who have already been or are likely to be employed longer than six months. Some country offices did not comply.

156. Notwithstanding this requirement, at the time of the Board's audit, UNICEF had no aggregate or consistent data on temporary fixed-term contracts for a given period. This lack of monitoring is a matter of concern in view of their cost.

157. **The Board recommends that UNICEF ensure compliance with its budget guidelines on reporting on temporary fixed-term staff in the country programme management plan.**

Rotation policy

158. UNICEF has a structured rotation policy. In theory, all international staff members are to rotate after one tour of duty (lasting from one year in emergency duty stations to five years at headquarters). No staff member is to remain in the same duty station for more than two tours of duty.

159. In practice, the number of exemptions and deferrals to the rotation policy is very high. In 2003, UNICEF issued a list of 103 specialized posts and functions exempted from rotation out of 1,758 such posts. In 2002-2003, UNICEF granted 92 per cent of the 73 requests for exemption or deferral. Thirty-four per cent of the exemptions related to New York headquarters staff members, some of them in the same post since 1990, and not all in exempted posts. Some staff members are treated as specialized on the sole basis that they have occupied their posts for many years. At the end of the biennial review, only 118 staff members rotated. There is also a list exempting senior staff members, but without rules or criteria. This may adversely affect the acceptance of the rotation policy by other staff members.

160. In 2003, UNICEF had 1,657 international Professional staff members, of which 45 per cent were women. The analysis of staff distribution by age indicates that, with 16.3 per cent of staff being over 55, 99 senior posts will have to be filled in the next five years.

161. UNICEF has initiated succession planning for some senior positions, but not for all, particularly at headquarters. The medium-term strategic plan for 2002-2005 and beyond includes a new system of planned rotation, which would promote synergy between rotation and succession management. Succession planning would begin at all representative-level posts, from P-4 through D-2, in 2004.

162. **The Board recommends that UNICEF improve its management of staff rotation.**

Performance appraisal system

163. The Performance Appraisal System dates back to 1994. The medium-term strategic plan for 2002-2005 includes the development of a new appraisal system. A pilot performance development system was experimented with in 14 field and headquarters units between 1999 and 2002, but it did not link performance with the objectives of the organization and was deemed overly time-consuming. The experiment was discontinued.

164. Performance Evaluation Reports (PERs) are systematically done when a staff member is about to rotate. By May 2004, most New York headquarters files did not contain any recent PERs. One headquarters division monitors PER status for the last two years, but not all offices do so. The risk is that a lack of personnel appraisal coverage may have an adverse impact on staff efficiency and effectiveness. On 13 January 2004, an executive directive instructed all offices to use the Performance Appraisal System.

Specific allowances and benefits

165. The dependency allowance is a benefit paid to a fixed-term staff member in respect of eligible dependants. These expenses reportedly increased from $5.6 million in 1999 to $6.7 million in 2003 (increase of 19 per cent). These figures do not include allowances paid to temporary fixed-term staff.

166. Until 2000, staff members had to submit an annual dependency status report. This form is now required only upon entry on duty or upon a change in status. UNICEF acknowledges that this change-of-status information may be underreported and undermonitored, which creates a risk of undue payments. It has been evaluating ways to address the risk, including spot checks or a yearly report form. UNICEF was to contact other agencies to learn from their processes.

167. **The Board recommends that UNICEF strengthen controls over the dependency allowance.**

168. The cost of the special operations living allowance has more than doubled, going from $3.3 million in 2001 to $5.9 million in 2002 and $6.9 million in 2003. UNICEF has adopted the "special operations approach" for internationally recruited staff members assigned to non-family duty stations, instead of using the United Nations mission subsistence allowance. UNICEF indicated that this was indispensable to attract high-quality staff to difficult and hazardous locations, classified as non-family, and that all international agencies had basically the same policy, with some adjustments, in some circumstances, to particular operational requirements.

169. UNICEF decides on designating or discontinuing its own adjustments in biannual administrative issuances after taking into account the discussions of the inter-agency Hardship Working Group. But in practice, there is a risk of costly competition between agencies. The special operations living allowance duty stations and rates were not always aligned with the practice relating to mission subsistence allowance or daily subsistence allowance, and the decisions on areas, rates and criteria applied were not always consistently documented. The list of sites (47 in 1999, 71 in 2003) included 10 countries where the United Nations Secretariat pays no mission subsistence allowance. The monthly special operations living allowance rate was equal to 30 days of mission subsistence allowance, or of the daily subsistence allowance after 60 days where no mission subsistence allowance rate has been established. Following an interim audit by the Board, UNICEF has decentralized to field offices the responsibility for aligning special operations living allowance with updated mission or daily subsistence allowance rates and improved documentation of decisions.

170. **The Board recommends that UNICEF further (a) clarify its policy regarding family duty stations included in the special operations approach and (b) document and monitor decisions on special operations living allowances areas and rates.**

171. Assignments in non-family, hardship duty stations are stressful and may entail greater expenditure for staff members. In order to mitigate the adverse consequences, mobility and hardship allowance rules were issued in a UNICEF 1990 instruction. This matter was covered by a new United Nations instruction dated 7 December 2001, which UNICEF did not apply.

172. The 2002 UNICEF instruction on rental subsidies mostly replicates the existing United Nations instruction.[7] However, UNICEF also provides rental advances of up to three months, in various duty stations where landlords may demand rental advances of up to one year.

173. **As a conclusion, the Board notes the several instances in which UNICEF has deviated from United Nations instructions regarding staff entitlements, confirms its recommendation in paragraph 138 below and recommends that UNICEF comply with United Nations staff rule 112.2 and further liaise with the United Nations Secretariat on this matter.**

Consultants

174. In 2002-2003, UNICEF spent over $160 million for consultants, an increase of 24 per cent over the previous biennium. Expenditure for institutional consultancy, i.e., with firms, increased by 42 per cent, to $70 million. This does not include consultant expenditure wrongly posted to the short-term staff accounts by one headquarters division in 2002.

175. UNICEF is to issue a yearly report, including information on the global usage of female consultants and contractors and consultants and contractors from developing countries, in accordance with chapter 6 of the human resources manual. The last such report (1999) included data from 72 per cent of the offices, leaving some 15 per cent of consultants unaccounted for, and provided no information on geographical

[7] ST/AI/2000/16.

distribution. Since December 2002, UNICEF has automated the data management in the Programme Manager System, but has issued no report.

176. The Board recommends that UNICEF comply with the human resources manual instruction on the issuance of a yearly report on consultants.

177. In a sample of three divisions representing three quarters of headquarters consultant expenditure and in the field offices visited, the recourse to consultants was often not in line with the manual. UNICEF stated that consultants should be recruited only for skills not readily available internally and should not perform, beyond a month, any of the existing full-time functions of regular staff. The Board found a number of consultants performing staff functions for more than a month. It appeared that the absence of posts for some non-programme functions normally performed by staff members led to the existence of many consultant contracts that should in fact be converted to temporary fixed-term contracts.

178. The Board found other shortcomings at headquarters and in the field:

(a) Seventy-nine per cent of the consultants recruited in the three divisions reviewed came from developed countries, and three countries accounted for almost two thirds of them. UNICEF invokes two major constraints: (i) assignments are often based in New York, where it is expensive to bring foreign consultants; (ii) many assignments require English as a mother tongue;

(b) Selection processes were in most cases poorly documented. The note for the record usually mentioned that several résumés had been reviewed, but they were not attached, background information remained unknown, and there were no comparative elements on the fees proposed;

(c) Consultants were recruited without competition, in contradiction to the policy not to waive competition solely on the argument that the proposed consultant enjoys a good relationship with UNICEF and has performed satisfactorily, or that the selection process might be lengthy;

(d) The manual requires that consultants sign a statement of good health and of appropriate health insurance. There was no such statement in the headquarters files reviewed, and a similar situation was found in three field offices;

(e) Six consultant contracts were signed by headquarters after the beginning of the contract, and the date of signature by the consultant did not appear in most contracts reviewed. Similar problems were found in eight field offices;

(f) None of the contracts reviewed in two divisions contained the recourse/penalty clause on non-performance required by the manual;

(g) In one division, the evaluation process in some cases of contract renewal took place after the beginning of a new contract rather than on completion of the old contract.

179. The Division of Human Resources maintains a consultant roster on the Intranet, but it does not provide statistics and does not indicate when a consultant has been recruited and is therefore no longer available. UNICEF was to decide on a new system in May 2004.

180. UNICEF consolidated previous instructions on the engagement of consultants into a new chapter 6 of the human resources manual in March 2004. However, the

weaknesses set out above present a number of non-compliance situations and risks that call for stronger action.

181. **The Board recommends that UNICEF comply with its instructions by improving its monitoring of consultant contracting, expenditure and evaluation and by taking appropriate steps against cases and patterns of non-compliance with instructions.**

Training

182. For the biennium 2000-2001, UNICEF expenditure, including trust funds, was $6.5 million for staff training and $4.1 million for training travel, representing an increase of 16 per cent over the previous biennium. In November 2002, the Board carried out an audit of the training function in UNICEF. It made 12 recommendations, some of which were implemented in 2003 and some for the biennium 2004-2005.

183. The UNICEF training planning and monitoring system software had tracked statistics until 1999. It was not year-2000 compliant, and statistics were no longer compiled. For four years UNICEF has been unable to know how many staff members have been trained worldwide or at what cost and, therefore, to what effect performance-wise. The decision on whether the new human resources module of the information system will include a database on training statistics had not yet been reached by May 2004.

184. **The Board recommends that UNICEF implement without delay a database providing reliable statistics on training and introduce an appropriate training performance evaluation system.**

5. Supply Division

185. Procurement expenditure increased by 14 per cent over the previous biennium, to $1.252 billion (the Global Alliance for Vaccines and Immunization excluded). The part handled by the Supply Division amounted to $916 million (73 per cent). The Division, based mainly in Copenhagen, oversees procurement for UNICEF and operates a large central warehouse. It also manages procurement on behalf of United Nations agencies, Governments and non-governmental organizations.

186. The Board recommended, in paragraph 138 of its previous report,[2] that UNICEF integrate supply planning in the programme planning process by using automatic data extraction and establish clear directives to obtain more accurate supply plans from country offices. A March 2003 supply directive set up a supply planning process based on automatic data extraction and the consolidation of supply inputs entered by country offices for UNICEF country programmes. It detailed the areas of accountability of country offices, regional offices and the Supply Division.

187. However, due to software shortcomings, this process did not work for the 2004 supply planning. As a consequence, by March 2004, the Supply Division had received only 26 supply plans out of the 115 that could have been submitted.

188. **The Board reiterates its recommendation that UNICEF improve its data processing in order to efficiently support early supply planning.**

189. In 2002-2003, UNICEF received 3.2 million free doses of anti-tetanus vaccine from a supplier, on the basis of a 1999 agreement between the Program for Appropriate Technology in Health (PATH), an equipment supplier and a vaccine

supplier. In 1998, UNICEF and the equipment supplier launched a five-year programme to support the elimination of neonatal tetanus worldwide. The equipment supplier committed a $1 million cash grant and $3 million worth of products and equipment to a potential vaccine supplier. PATH and the vaccine supplier signed an agreement in 1999 stipulating that the latter, in exchange for the free equipment, would donate 9 million doses of new vaccine to UNICEF (3 million doses per year from 2000 to 2002). The supplier would not support the cost of delivery for the vaccines. UNICEF was not a legal party to this agreement, although it was involved in the management of the programme. Taking advantage of the grant, the vaccine supplier is now the only World Health Organization-certified procurement source in its field. The whole arrangement runs counter to UNICEF vaccine procurement principles (UNICEF believes, as a public buyer, that providing grants to manufacturers is not the most effective method of obtaining capacity increase).

190. Contrary to the key criteria for its selection, the vaccine supplier did not comply with the initial timetable. The first delivery occurred in April 2002, and as at 31 December 2003 the supplier had delivered only one third of the products.

191. Furthermore, the supplier's newly issued vaccine, which is more sophisticated than the standard vaccine, is costly for developing countries ($0.50 per dose, as opposed to a market price of $0.04 to $0.10 for a standard vaccine). In its 2003 tender process, UNICEF forecast a requirement of 66.2 million doses over the next three years (i.e., over $30 million at the high price stated above). However, funding for the neonatal tetanus programme has been lacking, and by mid-2004 UNICEF indicated that it would use only the donated vaccines.

192. **The Board recommends that UNICEF refrain from entering into agreements that would give an unfair competitive advantage to one supplier and lead to the risk of late delivery.**

6. Treasury

193. The return on investments was 2.35 per cent in 2002 and 1.59 per cent in 2003. In comparison, the UNICEF benchmark return (three-month London Inter-Bank Offered Rate plus 50 basis points) was 2.28 per cent in 2002 and 1.69 per cent in 2003.

194. The eight recommendations made by the Board in its 2000-2001 report[2] relating to the Treasury function have been implemented. UNICEF carried out a survey of practices of other United Nations entities. With regard to including external members in financial advisory committees, the International Labour Organization (ILO) and the World Food Programme reported that they did so; indeed, at ILO all members are external. However, the UNICEF Financial Advisory Committee did not accept external members other than United Nations treasurers.

195. Regarding the cost and benefits of using external investment managers, one United Nations organization indicated to UNICEF that it had all its investments managed externally, while two other organizations outsourced the management of 17 per cent and 38 per cent of their investments, respectively, and another organization managed its investments only internally. The Financial Advisory Committee decided that UNICEF would manage 100 per cent of its funds internally.

7. Information and communication technology strategies

Programme Manager System application review

196. The field office information system is based on the Programme Manager System software package developed in-house. It processes work planning, budget management, finance, personnel, payroll, and cash management. The Programme Manager System was rolled out in 1998-1999 and is improved on a regular basis. The Board has tested satisfactorily the computerized and manual controls included in the requisition, obligation and finance modules. The electronic controls available cover the potential risks. The system provides an adequate and detailed audit trail.

197. The access security components of the Programme Manager System were not, however, at the level to be expected for this type of application. For example, its Document Authorization Table grants users specific rights. For each document, one or more users can have rights to perform actions, limited in time and in terms of the amounts involved, but at all stages, from the creation to the final validation of an action or document. The latter aspect may present a potential risk in terms of segregation of duties.

198. UNICEF has not issued clear guidelines to the "business owners" in the field on how to monitor access log files to keep track of connections, connection attempts and other actions that should be monitored for security purposes.

199. **The Board recommends that UNICEF further improve Programme Manager System controls, such as on (a) passwords, (b) user groups, (c) segregation of duties and (d) access logs.**

Treasury module migration

200. UNICEF migrated its headquarters accounting to the new Finance and Logistic System in 1999, followed by the Treasury function in 2002. The decision-making and implementation, by an internal team supported by consultants, were clear and efficient, as were documentation at all stages and staff training.

201. A gap analysis between the previous system and the new treasury module was duly carried out, but it was delivered too late. Management had not assigned sufficient resources to meet all deadlines. The module was rolled out into production four months later than initially planned. The high level of user acceptance confirmed, however, the effectiveness of the overall management of the project.

202. **The Board recommends that UNICEF (a) set realistic deadlines for its major information and communication technology projects and (b) allocate sufficient resources for all stages, such as gap analysis.**

203. The implementation of the treasury module was part of the project to retool the accounting system, but without a specific budget, such as for hardware and software, services and in-house resources. The costs incurred were primarily for staff and external services. Management had no table to monitor budgets and resources used or forecast, and received no project reports. This created a risk of uncontrolled overexpenditure.

204. **The Board recommends that UNICEF improve the budget tracking process for all information and communication technology projects in order to budget and monitor expenditure.**

Information and communication technology strategies

205. The Board reviewed the management of the information and communication technology (ICT) strategy, and benchmarked it with that of 22 other departments, funds, programmes and institutes covered in the Board's annual or biennial reports to the General Assembly. The focus was on the economy and efficiency of the processes that support the ICT strategy: governance, alignment and execution.

a. Background

206. UNICEF reported its aggregate expenditure for ICT at $50 million for 2003 (nearly 7 per cent of the more than $700 million reported per year in 2002 and 2003 by the 23 United Nations entities, including UNICEF). These figures do not include all indirect costs related to ICT management.

207. The Board of Auditors, in paragraphs 175 to 179 of its previous report,[2] noted an improvement in the management of information and communication technologies.

208. The Board had recommended that UNICEF improve its information technology security and, in consultation with other United Nations organizations, complete its disaster recovery plan. UNICEF then replied that it was to implement its information security policy by the end of 2002 and had initiated actions for disaster recovery to increase redundancy. It had also started consultations with other United Nations agencies.

209. The information security policy and related code of conduct were issued on 13 October 2003, one year behind schedule, and shared with the United Nations Secretariat. By May 2004, work on the disaster recovery plan was still ongoing, with significant steps already implemented. The Business Continuity Project was approved as a framework, with investments to begin in 2004-2005.

b. Coordination

210. Regarding inter-agency cooperation, the Joint Inspection Unit[8] and the Board[9] expressed concern about the number of costly ICT systems within the United Nations system, at the expense of the same stakeholders — the Member States — covering the same geographical areas, under similar rules and regulations and working towards the same global ends.

211. UNICEF considers that its state of technological development, needs, "business model", governance and standards might not be relevant or cost-effective for another organization and invoked the specificity of its mission, purpose, nature and "business" processes, as well as the clarity, maturity and state of its ICT organization, positioning, standards and management.

[8] See A/58/82.
[9] See A/57/201.

212. Nevertheless, regarding coordination, UNICEF has participated in several ICT inter-agency boards and related initiatives, including the former Information Systems Co-ordination Committee and the Information and Communications Technology Network. It has also shared such documents as its information security policy and related code of conduct and Information Technology Infrastructure Library best practices in 2002, including with the United Nations Secretariat's Office of Legal Affairs and the High Level Committee on Management.

213. To its credit, UNICEF has undertaken initiatives such as creating and chairing a special interest group on one of the major information system products, which includes five United Nations agencies and two affiliated agencies. In addition, it chairs the Inter-Agency Telecommunications Advisory Group, set up in 1997 in the context of the Information Systems Coordination Committee.

214. While documents on all ICT strategies, including that of UNICEF, have been posted on the web site of the High Level Committee on Management, there did not appear to have been explicit efforts to seek commonalities and synergies in the development and implementation of these strategies.

215. The Board is, however, of the view that if the United Nations system did not take a more proactive stance, the various states of evolution would indeed remain heterogeneous, lacking consistent cost-effectiveness, which eventually comes at the expense of the Member States and of the beneficiaries of United Nations programmes.

216. **The Board commends UNICEF for providing impetus to inter-agency coordination and recommends that, in cooperation with other United Nations organizations, it further strengthen its coordination with various ICT boards or steering committees of the United Nations system, with a view to further benefiting from system-wide experience.**

c. Strategy

217. UNICEF has properly positioned ICT as a critical element of its operational and programmatic excellence strategies (medium-term strategic plan). It has a formal ICT strategy, as reflected in its progress report on the UNICEF strategy and investments in information technology. The document is comprehensive and reflects an extensive use of appropriate methodologies. It is updated each biennium during the budget discussions. **The Board commends UNICEF for its efforts in developing such a strategic document.**

d. Budget monitoring

218. UNICEF has taken the commendable step of seeking an independent benchmark from an external firm. UNICEF reported that data for the benchmark could not be provided in the structure required by the model, but that the benchmark indicated a high degree of cost-effectiveness.

219. The findings of that audit have, however, revealed several areas for improvement in the monitoring of ICT budgets. UNICEF has agreed with UNDP and UNFPA on common budgetary standards, but, in the absence of a United Nations system-wide formal method for the evaluation of ICT investments and expenditure, UNICEF shares no agreed model with the other United Nations entities to define what is included under "the cost of ICT" — for example, whether or not a webmaster in a

functional department is part of this cost. The ICT Network has recognized this as a problem but has not provided a solution so far.

220. UNICEF further considers that common standards and practices may not be necessary, relevant, sharable or cost-efficient for different organizations, as they must apply in the context of very specific processes, ICT standards and management. Moreover, it considers that implementing best practices does not necessarily yield effective or efficient implementation of an ICT strategy or value for money, as this depends heavily on the maturity of the ICT organization. The Board is nevertheless of the view that the commonality under the United Nations system and with direct or indirect funding from the same stakeholders, the Member States, calls for further efforts in that direction.

221. **The Board recommends that UNICEF adopt a common methodology with the other United Nations organizations for (a) determining the total cost of ownership of ICT, (b) determining the variations in cost in different parts of the organization, (c) determining whether or not outsourcing of ICT activities may be a viable option and (d) evaluating ICT projects, their benefits, costs and risks, based on best practices.**

e. Standards and post-implementation benefit audits

222. UNICEF has adopted a set of operational best practices, such as the Information Technology Infrastructure Library, and stated that its ICT governance has been referred to as a best practice in the public sector. It provided the ICT Network with information in this respect, but the Network has not so far addressed the issue.

223. UNICEF has introduced certain elements of total quality management and has based its ICT security and code of standards on standards of the International Organization for Standardization (ISO). It has, however, adopted neither of the two formal standards that have been applied to ICT execution matters for many years (ISO 9001, for total quality management and ISO 17799, a code of practice for the management of information security). UNICEF does not use the well-known Control Objectives for Information Technology set of guidelines, which are not formal international standards.

224. **The Board recommends that UNICEF continue to establish and maintain information and communication technology standards and operational practices in line with best practices, and share them, wherever feasible, with other United Nations organizations, with a view to reducing risks and costs.**

225. UNICEF could not provide any reports or examples of post-implementation benefit audits, and did not report sharing lessons learned through such audits with other United Nations entities. UNICEF considered that these types of issues are typically handled through project governance and change management, among other elements. Since the Board's audit, UNICEF has been planning self-assessments and management audits of ICT with the Office of Internal Audit.

226. **The Board recommends that UNICEF subject all significant information technology projects to a post-implementation audit.**

f. Information management

227. Internally, UNICEF has developed its own formal architectures for technology and for data. Contrary to the situation in other organizations, all aspects of information management appear to be properly the responsibility of headquarters.

228. Externally, there is a lack of a common information architecture within the United Nations system. UNICEF has no operational, inter-agency information management forum to participate in. It reported that it has in several cases designed systems or equipment to be shared, but that several potential users do not use these facilities. This may inhibit the aggregation of information across entities using disparate systems; when such aggregation is technically possible — when the semantic definitions of data are consistent and it is only the formatting that differs — it will be costly and complex.

229. As a case in point, in the crucial field of human resources, UNICEF shared no inter-agency data standards. For example the data definition of "staff member" differed in structure and format from one organization to another. This creates significant barriers to exchanges of data, both technical and financial, between UNICEF and other entities, which may imply additional costs for communication with, for example, the United Nations Joint Staff Pension Fund for local staff paid under the Programme Manager System. The Pension Fund indicated to the Board that the heterogeneity of the ICT systems of the participating agencies required specific data conversion interfaces, one for each system, to update pension information — at an additional cost for all participating entities that eventually finance the Pension Fund's overhead.

230. The absence of organization-wide information management standards (indexing, classification, definition of access rights, data cleansing, archival, etc.) contributes to a risk of unreliable information potentially in all areas of activity.

231. **The Board recommends that UNICEF endeavour to improve the consistency of its data standards and policies in conjunction with other United Nations entities.**

g. Organizational support processes — peer review

232. UNICEF shares best practices with peers in special interests groups, but has not implemented information and communication technology project peer reviews that could enhance the benefits to be gained through lessons learned. It considered that this would be impractical in view of the diversity of mission, business purposes, geography, structures and processes among the United Nations organizations. The Board is of the view that there is enough commonality between the Secretariat, the major funds and programmes and the specialized agencies to implement such best practices.

233. **The Board recommends that UNICEF join other United Nations organizations in instituting information and communication technology project peer reviews, with a view to limiting in the long term the cost of a multiplicity of solutions responding to similar needs.**

234. In conclusion, the Board commends UNICEF for having actively shared data within the United Nations system on ICT strategy and for having in several major

areas aligned itself on best practices with a comprehensive ICT strategy, while taking steps to ascertain that it is cost-effective.

235. **The Board is also of the view that, given the maturity of UNICEF processes and its reliance on best practices and independent benchmarks, UNICEF could more proactively contribute to the development of information and communication technology synergies with other entities of the United Nations system, with a view to limiting costs through sharing lessons learned, procurement and activities.**

8. Innocenti Research Centre

236. The UNICEF Innocenti Research Centre (IRC) was created by a 1986 agreement between the host Government and UNICEF. The agreement was ratified by law and entered into force in 1988 for a period of three years, which has been continuously extended by exchanges of letters. The Centre, based in Florence, is devoted to study, research, information and education in the field of assistance to children.

237. The agreement is outdated regarding financial provisions (due to exchange rate and currency changes), privileges and immunities (stated for seven international staff members, a number that had doubled by 2003). UNICEF has raised with the host Government the issue of updating the agreement, including at their annual consultation in October 2003.

238. While the UNICEF support budget cycle is biennial, the IRC agreement has set a three-year programme and budget cycle, which has to take into account the four-year UNICEF medium-term strategic plan and the five-year country programme cycle.

239. **The Board recommends that UNICEF negotiate (a) a new agreement for its Innocenti Research Centre and (b) the alignment of its planning and budget cycles with standard UNICEF cycles.**

240. In 1999, the UNICEF Executive Board approved a budget ceiling of $12.8 million for IRC for 2000-2002. The actual expenditure for the period amounted to $9.7 million (76 per cent of the ceiling). Much of this underexpenditure was due to a lack of funding, the expenditure representing 93 per cent of the income received. The host Government remained the principal donor (67 per cent of the total), but UNICEF was to further diversify resources.

241. The Board's findings in the area of management of consultants were similar to those reported in paragraphs 174 to 181 above. Eighty-four per cent of the 55 contracts signed in 2002 were based on a single source selection. In 15 cases, the note for the record stated that the candidate was "the only qualified person" or "the most qualified person". There was no indication of other potential consultants having been reviewed. In 12 cases, the competitive selection process was waived on the basis of the previous relationship of the consultant with UNICEF. In 10 cases, the competition was waived because the contract was an extension of an initial contract to carry out a project. In nine cases, there was no explanation as to why competition had been waived. In one case, competition had been waived "as a matter of routine". The Centre explained that particular expertise and analytical skills were required for the research conducted and the development of policy studies and advocacy materials, and that for that reason it drew from the roster of experts it had built over the years.

242. None of the consultancy contracts above $20,000 were submitted to the local Contract Review Committee. There was confusion within IRC between competition waiver and waiver by the Committee. UNICEF financial circular 19 states that competition can be waived in a limited number of cases (emergency, national regulations, etc.), but that, nevertheless, the advice of the Committee is required for all financial commitments equal to or above $20,000. The Committee did not verify that the interests of UNICEF had been protected or that exceptions to the competition process were explained and recorded.

243. In 2002, 80 per cent of the consultants came from donor countries. Seventy-three per cent of the fees went to consultants from only five countries.

244. **The Board recommends that UNICEF (a) put in place at its Innocenti Research Centre a more competitive selection process for consultants, (b) submit all financial commitments above $20,000 to its Contract Review Committee and (c) pay more attention to the geographic balance of consultant recruitment.**

245. Most IRC publications are for advocacy purposes and are distributed free of charge. Fewer than 500 copies are sold every year. From 2001 to 2002, the cost of their distribution decreased by 36 per cent and the volume distributed by 45 per cent. The average cost per copy increased by 36 per cent. IRC has outsourced its distribution since 2000. The initial contract, for which the competition process was not properly documented, was for one year. It was renewed for five years, without competition, for a total amount paid of $501,183. The human resources manual states that it would not be advisable to waive competition solely on the argument that the proposed consultant enjoys a good relationship with UNICEF and has performed satisfactorily.

246. The stocks in inventory decreased from 53,802 units in 2000 to 42,618 units in 2002 (a decrease of 21 per cent). The proportion of publication units aged more than five years increased from 5.3 per cent in 2000 to 7.6 per cent in December 2002. In 2001, 22,280 books stored in Italy (91 titles out of 300 published over 11 years), valued at some $120,000, were destroyed following standard procedures for obsolete stock.

247. **The Board recommends that UNICEF review the Innocenti Research Centre distribution system and current contract.**

9. Country offices

Basic cooperation agreements

248. In 1992, the UNICEF Executive Board adopted a new standard Basic Cooperation Agreement (BCA) as a framework for the relationship between Governments and UNICEF. UNICEF representatives were reminded in 1993 and 1995 to implement it. The latest Programme Policy and Procedure Manual indicates that where countries are using older Basic Cooperation Agreements of which many provisions are out of date, negotiating and signing the revised Agreement is a high priority. However, the Board noted that:

(a) In 2 out of 11 country offices visited, UNICEF had not been able to sign a new Agreement and was still working under old Agreements dating back, respectively, to 1979 and 1950;

(b) In three countries, the clause of the Convention on the Privileges and Immunities of the United Nations on tax exemptions was not fully adhered to;

(c) In six countries, article VI of the Agreement was not complied with (it stipulates that the Government shall provide office premises, cost of postage and telecommunications, cost of local services for the premises and transportation for UNICEF officials).

249. **The Board recommends that UNICEF (a) conclude Basic Cooperation Agreements according to the 1992 standard in all countries, (b) obtain full compliance with the Convention on the Privileges and Immunities of the United Nations and (c) implement the Basic Cooperation Agreements or renegotiate as appropriate.**

Donor reports

250. In 2003, 40 per cent of all donor reports were submitted late by UNICEF, although the UNICEF executive directive on fund-raising had emphasized in May 2003 the importance of timely, reader-friendly, result-oriented, jargon-free, high-quality donor reports. Four offices, out of 13 audited, were not able to properly use the Programme Manager System monitoring tool for report submission, either because of a lack of adequately trained staff or because of the non-reliability of data entered.

251. Also in four offices, the quality control checklist for the clearance of donor reports was not properly used or not used at all; the Office of Internal Audit had issued a consolidated report in July 2003 with similar findings, which had led UNICEF to take steps to improve data reliability, timeliness and quality control.

252. The UNICEF Programme Policy and Procedure Manual states that the Country Representative has primary accountability for quality and timely reporting to donors, while Regional Offices are responsible for monitoring reporting performance — the quality of reports, their timeliness and compliance with reporting conditions — through regular sampling of donor reports. The two regional offices reviewed performed no quality control, even on a sampling basis.

253. **The Board recommends that UNICEF continue to improve (a) the timeliness of the submission of donor reports and (b) the accountability of regional offices for quality control of donor reports.**

10. Division of Communication

254. UNICEF has no updated, comprehensive communication or information manual. The Division of Communication had announced at a 1998 Executive Board session that such a manual would be produced. The lack of such an instrument for the past several years is not consistent with best practices, especially in view of the existence of a highly decentralized communication network and its impact on fund-raising.

255. **The Board recommends that UNICEF, in compliance with the announcement made to the Executive Board in 1998, update its communication manual.** The Administration informed the Board that it expects to issue a new communication manual in the second half of 2004.

256. Despite recent improvements in tracking field communication activities, UNICEF still had only partial knowledge of communication activities at regional and

field offices. It did not know accurately the level of the resources with which the communication network operated. Regional and field offices did not report systematically on their communication activities. The Geneva-based Private Sector Division and the National Committees did not report formally at all, except in the case of publications done by the Geneva regional office. Thus, headquarters did not know to what extent the communication strategy was implemented in the field, and had few indicators and little power to redirect actions.

257. Following the audit, in 2003 UNICEF requested that the country offices include in their annual reports data on communication activities.

258. UNICEF had neither exhaustive knowledge nor sets of field publications. Its web site listed 82 publications under its logo, but the actual number and costs of publications were unknown.

259. **The Board recommends that UNICEF (a) improve its monitoring of communication activities and (b) use the new field office reporting system to monitor the cost and implementation of its communication strategy, including in connection with publications.**

11. Fraud and presumptive fraud

260. During the biennium 2002-2003, UNICEF reported 37 cases of fraud or presumptive fraud to the Board. UNICEF had not yet determined the financial loss in 13 of the cases, but estimated a total loss of $703,356 in the other 24. Those cases related to, among other things, poor management of inventory, irregular disbursements, rental subsidy fraud, misuse of telephone services, theft of cash, falsified medical claims, misappropriation of funds and other financial irregularities. UNICEF recovered $198,380 of the total loss.

261. The Financial Regulations and Rules and financial circular 29 of 1988 are the basic documents on policy and procedure relating to cases of fraud and presumptive fraud that are currently operational at UNICEF.

262. Part of the circular is not implemented. For example, the preliminary confidential report in a case of presumptive fraud is not systematically copied to the Office of Internal Audit. In addition, the financial circular does not specify the role and function of the Legal Adviser of the Executive Director. It provides guidelines on how to handle preliminary investigations, but it does not describe the policy regarding the referral of fraud and corruption cases to local judicial systems.

263. **The Board recommends that UNICEF review its overall anti-fraud policies and tools and update its financial circular on fraud.**

D. Acknowledgement

264. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the Executive Director and staff of the United Nations Children's Fund.

(*Signed*) Shauket A. **Fakie**
Chairman, Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The members of the Board of Auditors have signed only the original English version of the audit opinion.

Annex I

Summary of status of implementation of recommendations of the Board of Auditors in its report for the biennium ended 31 December 2001[a]

Topic	*Implemented*	*Under implementation*	*Total*	*Reference in the present report*
Contingent liabilities	para. 23	-	1	paras. 54-56
Private Sector Division allowance for exchange rate fluctuation	-	para. 28	1	para. 21
Presentation of financial statements	paras. 30, 32, 44, 49, 51, 54, 56 and 67	paras. 35, 38, 42, 60 and 64	13	paras. 34-53 and 64-79
Trust funds	paras. 73 and 78		2	
Write-off	para. 82		1	
Programme implementation	paras. 89 and 95		2	paras. 124-129
Cash assistance	paras. 119, 125, 128, 130 and 135	para. 113	6	paras. 130-135
Supply Division	paras. 138 and 141	paras. 143 and 146	4	paras. 185-192
Treasury	paras. 150, 152, 154, 163, 165, 167, 169 and 172		8	paras. 193-195
Information and communication technology		para. 178	1	paras. 196-235
Private Sector Division	paras. 185, 190, 192, 194, 198 and 200	paras. 187 and 202	8	paras. 86-123
Total	**35**	**12**	**47**	
Percentage	**74**	**26**	**100**	

[a] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5B* and corrigendum (A/57/5/Add.2 and Corr.1), chap. II.

Annex II

Actual posts and staff by grade, 1999-2003, yearly average

	1999			2000			2001			2002			2003			Evolution 1999-2003 (percentage)	
Grade	*Posts*	*Staff*	*Difference*	*Posts*	*Staff*	*Difference*	*Posts*	*Staff*	*Difference*	*Posts*	*Staff*	*Difference*	*Posts*	*Staff*	*Difference*	*Posts*	*Staff*
USG-ASG	3	2	1	4	4	0	4	4	0	4	5	-1	4	3	1	+33	+50
D-2/L-7	30	28	2	28	26	2	28	28	0	28	28	0	29	28	1	-3	-
D-1/L-6	59	73	-14	64	84	-20	71	82	-11	76	92	-16	73	85	-12	+24	+16
P-5/L-5	308	294	14	326	310	16	345	328	17	349	335	14	341	346	-5	+11	+18
P-4/L-4	532	455	77	589	512	77	627	516	111	700	559	141	700	584	116	+32	+28
P-3/L-3	317	257	60	341	267	74	380	316	64	435	345	90	450	372	78	+42	+45
P-2/L-2	52	71	-19	87	85	2	108	88	20	159	124	35	156	124	32	+200	+75
P-1/L-1	1	0	1	1	1	0	1	2	-1	2	4	-2	5	7	-2	+500	-
Subtotal	**1 302**	**1 180**	**122**	**1 440**	**1 289**	**151**	**1 564**	**1 364**	**200**	**1 753**	**1 492**	**261**	**1 758**	**1 549**	**209**	**+35**	**+31**
Vacancies		9.4%			10.5%			12.8%			14.9%			11.9%			
Junior Professional Officers	171	77	94	153	103	50	205	99	106	237	96	141	252	108	144	+47	+40
General Service	3 435	3 053	382	3 389	3 036	353	3 474	3 018	456	3 649	3 399	250	3 701	3 445	256	+8	+13
National Professional Officers	1 196	1 002	194	1 237	946	291	1 271	888	383	1 437	1 256	181	1 508	1 290	218	+26	+29
Field Service	14	[a]	[a]	10	[a]	[a]	11	[a]	[a]	7	[a]	[a]	5	5	0	-64	[a]
Total	**6 118**	**5 312**	**806**	**6 229**	**5 374**	**855**	**6 525**	**5 369**	**1 156**	**7 083**	**6 250**	**833**	**7 224**	**6 397**	**827**	**+18**	**+20**
Vacancy rate (percentage)		13.2			13.7			17.7			11.8			11.4			

[a] UNICEF was unable to provide Field Service staffing data.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations Children's Fund, comprising statements I to VII, schedules 1 to 3 and the supporting notes for the biennium ended 31 December 2003. These financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and conforming to the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all material respects, the financial position as at 31 December 2003 and the results of operations and cash flows for the period then ended, in accordance with the United Nations Children's Fund's stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Furthermore, in our opinion, the transactions of the United Nations Children's Fund that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the United Nations Children's Fund's financial statements.

(*Signed*) Shauket A. **Fakie**
Chairman, Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The members of the Board of Auditors have signed only the original English version of the audit opinion.

Chapter IV

Financial statements for the biennium ended 31 December 2003

A. Financial statements

STATEMENT I

INCOME AND EXPENDITURES AND CHANGES IN RESERVES AND FUND BALANCES
FOR THE BIENNIUM ENDED 31 DECEMBER 2003
(In thousands of United States dollars)

		2002 - 2003				2000 - 2001
			Other resources			
		Regular resources	Supplementary funds	Emergency relief & rehabilitation	Total	Total
INCOME						
Voluntary contributions						
Governments	(schedule 1)	771 115	693 806	584 588	2 049 509	1 514 560
Less: Transfer to biennum support budget	(note 3)	(15 849)			(15 849)	(15 431)
		755 266			2 033 660	1 499 129
Non-governments/private sector	(schedule 1)	3 291	289 695	94 311	387 297	399 452
Private Sector Division	(note 4)	570 796			570 796	324 378
Funds received under inter-organization arrangements	(schedule 1)	2	34 774	4 586	39 362	42 071
Other income						
Interest income		30 368			30 368	65 598
Miscellaneous income	(note 5)	38 543			38 543	41 711
Currency exchange adjustments	(note 6)	26 738			26 738	(23 507)
TOTAL INCOME		1 425 004	1 018 275	683 485	3 126 764	2 348 832
EXPENDITURE						
Programme assistance		739 749	923 760	606 479	2 269 988	1 897 375
Programme support	(statement IV)	300 335			300 335	282 678
Total programme cooperation		1 040 084	923 760	606 479	2 570 323	2 180 053
Management and administration	(statement IV)	165 805			165 805	154 893
TOTAL EXPENDITURES		1 205 889	923 760	606 479	2 736 128	2 334 946
EXCESS OF INCOME OVER EXPENDITURES		219 115	94 515	77 006	390 636	13 886
Write-offs/prior period's adjustments	(note 7)	4 833	4 208	7 360	16 401	13 786
NET EXCESS OF INCOME OVER EXPENDITURES		214 282	90 307	69 646	374 235	100
Reserve balances, 1 January		28 933			28 933	29 222
Transfer to reserves for after-service health insurance	(note 20)	(30 000)			(30 000)	
Increase in reserves		30 081			30 081	(289)
Fund balances, 1 January		183 754	349 233	143 919	676 906	676 806
RESERVES AND FUND BALANCES, 31 DECEMBER		427 050	439 540	213 565	1 080 155	705 839

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

(*Signed*) Ellen YAFEE
Comptroller

(*Signed*) Carol BELLAMY
Executive Director

STATEMENT II
ASSETS, LIABILITIES, RESERVES AND FUND BALANCES
AS AT 31 DECEMBER 2003
(In thousands of United States dollars)

		2003	2001
ASSETS			
Cash and term deposits	(note 8)	961 359	644 550
Accounts receivable			
Contributions receivable	(note 9/schedule 2)	269 093	212 588
Less: Provision for uncollectible contributions	(note 10)	(5 000)	(5 000)
Net contributions receivable		264 093	207 588
Other	(note 11)	344 898	289 086
Inventories	(note 12)	28 519	25 708
Buildings and equipment	(note 13)	13 029	12 720
TOTAL ASSETS		1 611 898	1 179 652
LIABILITIES			
Contributions received in advance	(note 14)	2 750	3 459
Unliquidated obligations	(note 15)	127 891	173 240
Accounts payable	(note 16)	80 255	75 140
Trust funds	(schedule 3)	289 397	197 631
Medical insurance plans	(note 17)	31 450	24 343
TOTAL LIABILITIES		531 743	473 813
RESERVES AND FUND BALANCES			
Reserves			
For procurement services - staff and related costs	(note 18)	2 000	2 000
For insurance	(note 19)	142	131
For capital assets		26 872	26 802
For after-service health insurance	(note 20)	30 000	
Total reserves		59 014	28 933
Fund balances			
Regular resources		368 036	183 754
Supplementary funds		439 540	349 233
Emergency relief and rehabilitation		213 565	143 919
Total fund balances		1 021 141	676 906
TOTAL RESERVES AND FUND BALANCES		1 080 155	705 839
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		1 611 898	1 179 652

The accompanying notes form an integral part of this statement and should be read in conjunction with it.

(*Signed*) Ellen YAFEE
Comptroller

(*Signed*) Carol BELLAMY
Executive Director

STATEMENT III

CASH FLOWS FOR THE BIENNIUM ENDED 31 DECEMBER 2003
(In thousands of United States dollars)

	2003	2 001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net excess of income over expenditures	374 235	100
(Increase) in contributions receivable	(56 505)	(10 072)
(Increase) in other accounts receivable	(55 812)	(27 389)
(Increase) decrease in other assets	(2 811)	654
Increase (decrease) in contributions received in advance	(709)	2 469
Increase in accounts payable	12 222	46 788
(Decrease) in unliquidated obligations	(45 349)	(19 062)
Less: Interest income	(30 368)	(65 598)
NET CASH FROM OPERATING ACTIVITIES	194 903	(72 110)
CASH FLOW FROM INVESTING AND FINANCING ACTIVITIES		
Increase in balances on trust funds	91 766	92 670
Plus: Interest income	30 368	65 598
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	122 134	158 268
CASH FLOWS FROM OTHER SOURCES:		
(Increase) in land and buildings	(309)	(45)
Increases (decrease) in regular resources fund	81	(289)
NET CASH FROM OTHER SOURCES	(228)	(334)
NET INCREASE IN CASH AND TERM DEPOSITS	316 809	85 824
CASH AND TERM DEPOSITS, 1 JANUARY	644 550	558 726
CASH AND TERM DEPOSITS, 31 DECEMBER	961 359	644 550

STATEMENT IV

STATEMENT OF APPROPRIATIONS FOR THE 2002 - 2003 BIENNIUM AS AT 31 DECEMBER 2003

(In thousands of United States dollars)

	Appropriations				Expenditures			
	Original	Supplement	Transfers/ adjustments	Revised	Programme support	Management and administration	Total	Unspent
Programme support								
Country and regional offices	295 653	3 000	(1 682)	296 971	294 013		294 013	2 958
Headquarters	77 463	600	3 155	81 218	79 092		79 092	2 126
Subtotal	373 116	3 600	1 473	378 189	373 105		373 105	5 084
Management and administration	193 053	4 400	(1 473)	195 980		195 758	195 758	222
Total	566 169	8 000		574 169	373 105	195 758	568 863	5 306
Expenditures					373 105	195 758	568 863	
Less: Recovery from packing and assembly activities					7 408		7 408	
Recovery from supplementary-funded and emergency relief and rehabilitation-funded projects a/					60 889	11 598	72 487	
Agency commissions from administration of non-procurement trust funds and Junior Professional Officers						6 979	6 979	
Government contribution towards local costs					571		571	
Transfer from income in respect of income tax reimbursement					3 902	11 376	15 278	
Subtotal					72 770	29 953	102 723	
Net expenditures (statement I)					300 335	165 805	466 140	

a/ The figures are presented in line with the 2002-2003 biennium support budget preparation.

STATEMENT V

ALL FINANCIAL RESOURCES

FOR THE BIENNIUM ENDED 31 DECEMBER 2003

(In thousands of United States dollars)

	2002 - 2003					2000 - 2001
		Other resources				
	Regular resources	Supplementary funds	Emergency relief & rehabilitation	Trust funds	Total	Total
Opening balances	183 754	349 233	143 919	122 593	799 499	769 317
Income/receipts	1 425 004	1 018 275	683 485	980 645	4 107 409	2 960 865
Funds available	1 608 758	1 367 508	827 404	1 103 238	4 906 908	3 730 182
Expenditures/disbursements	1 205 889	923 760	606 479	834 864	3 570 992	2 916 897
Write-offs/prior periods' adjustments	4 833	4 208	7 360		16 401	13 786
Transfer to reserve for after-service health insurance	30 000				30 000	
Closing balances	368 036	439 540	213 565	268 374	1 289 515	799 499

STATEMENT VI
STATUS OF FUNDING FOR APPROVED REGULAR RESOURCES, SUPPLEMENTARY FUNDS AND EMERGENCY RELIEF AND REHABILITATION AS AT 31 DECEMBER 2003

(In thousands of United States dollars)

	Regular resources	Other resources		Total
		Supplementary funds	Emergency relief and rehabilitation	
Unspent balances of programmes as at 1 January 2002	1 917 903	436 547	146 704	2 501 154
Approved at the Executive Board sessions a/				
New programmes	1 313 256			1 313 256
Made between Executive Board sessions b/	97 402	1 057 091	718 264	1 872 757
Write-off of pledges		(5 656)	(6 613)	(12 269)
Programme cancellations c/	(173 194)			(173 194)
Savings of 2002-2003 budget	(5 306)			(5 306)
Recoveries to the budget	(102 723)			(102 723)
Subtotal	3 047 338	1 487 982	858 355	5 393 675
Expenditures	1 205 889	923 760	606 479	2 736 128
Unspent balances of programmes as at 31 December 2003	1 841 449	564 222	251 876	2 657 547
Fund balance as at 31 December 2003	368 036	439 540	213 565	1 021 141
To be financed from future income	1 473 413	124 682	38 311	1 636 406

a/ E/ICEF/2001/P/L.73 (decision 2001/14), E/ICEF/2001/AB/L.10 (decision 2001/13), E/ICEF/2001/P/L.74 (decision 2001/16), E/ICEF/2002/P/L.35, E/ICEF/2002/P/L.36 (decision 2002/10), E/ICEF/2003/P/L.14 (decision 2003/7), E/ICEF/2003/P/L.19, E/ICEF/2003/P/L.20, E/ICEF/2003/AB/L.13 (decision 2003/16).

b/ 2002 and 2003 programme budget allotments arising from Private Sector Division income, regular resources for unfunded other resources projects.

c/ Regular resources programme cancellations represent unspent balances in the amounts approved by the Executive Board for various programme recommendations which expired between 2000 and 2003.

STATEMENT VII

PROGRAMME COOPERATION: STATEMENT OF APPROVED PROGRAMMES, EXPENDITURES AND UNSPENT BALANCES FOR REGULAR RESOURCES, SUPPLEMENTARY FUNDS AND EMERGENCY RELIEF AND REHABILITATION FOR THE BIENNIUM ENDED 31 DECEMBER 2003

(In thousands of United States dollars)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
AFRICA					
Angola	15 863	49 506	65 369	51 064	14 305
Benin	4 183	18 111	22 294	9 191	13 103
Botswana	2 134	4 628	6 762	3 913	2 849
Burkina Faso	22 184	7 245	29 429	15 854	13 575
Burundi	9 477	13 696	23 173	15 927	7 246
Cameroon	5 272	17 256	22 528	8 223	14 305
Cape Verde	2 714	589	3 303	2 008	1 215
Central African Republic	8 577	3 050	11 627	5 373	6 254
Chad	13 085	5 961	19 046	9 463	9 583
Comoros	1 681	3 169	4 850	1 671	3 179
Congo	1 525	9 897	11 422	5 944	5 478
Cote d'Ivoire	5 189	27 226	32 415	9 908	22 507
Democratic Republic of the Congo	20 539	85 118	105 657	61 187	44 470
Equatorial Guinea	5 237	(1 326)	3 911	1 641	2 270
Eritrea	14 350	21 944	36 294	18 978	17 316
Ethiopia	94 864	76 195	171 059	82 581	88 478
Gabon	3 982	(501)	3 481	1 388	2 093
Gambia	6 325	173	6 498	2 968	3 530
Ghana	21 144	17 708	38 852	19 823	19 029
Guinea	15 571	7 187	22 758	13 020	9 738
Guinea-Bissau	3 645	6 763	10 408	4 447	5 961
Kenya	11 198	39 500	50 698	20 050	30 648
Lesotho	8 358	1 969	10 327	4 903	5 424
Liberia	4 234	17 752	21 986	11 149	10 837
Madagascar	13 616	6 938	20 554	12 649	7 900
Malawi	30 974	30 895	61 869	35 522	26 347
Mali	9 784	34 454	44 158	17 670	26 488
Mauritania	3 793	13 777	17 570	7 151	10 419
Mauritius	1 720	(748)	980	933	47
Mozambique	59 701	16 640	76 341	33 641	42 700
Namibia	4 954	3 564	8 518	5 175	3 343
Niger	22 597	31 485	54 082	17 545	36 537
Nigeria	137 213	14 540	151 753	53 040	98 713
Rwanda	14 134	8 120	22 254	12 144	10 110
Sao Tome and Principe	3 832	(744)	3 088	1 214	1 874
Senegal	14 932	9 234	24 166	12 663	11 503
Sierra Leone	12 734	30 543	43 277	23 703	19 574
Somalia	24 389	51 397	75 786	42 725	33 061
South Africa	7 080	6 273	13 353	7 760	5 593
Swaziland	5 358	5 654	11 012	6 228	4 784
Togo	9 276	2 167	11 443	5 031	6 412
Uganda	31 831	13 289	45 120	24 051	21 069

STATEMENT VII (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditure	Approved programmes unspent balances as at 31 December 2003
United Republic of Tanzania	45 838	16 938	62 776	26 693	36 083
Zambia	23 736	17 447	41 183	23 506	17 677
ZimPalvo	9 835	19 828	29 663	17 568	12 095
Regional	13 215	25 058	38 273	30 115	8 158
Area total	801 793	789 493	1 591 286	797 401	793 889
THE AMERICAS AND THE CARIBBEAN					
Argentina	5 115	1 495	6 610	4 142	2 468
Belize	3 859	(575)	3 284	1 288	1 996
Bolivia	2 989	17 450	20 439	8 365	12 084
Brazil	20 187	11 176	31 363	21 560	9 803
Chile	2 923	(481)	2 442	1 668	774
Colombia	8 155	5 967	14 122	7 784	6 338
Costa Rica	3 780	(419)	3 361	1 235	2 126
Cuba	4 817	350	5 167	2 537	2 630
Dominican Republic	5 968	7 917	13 885	8 147	5 738
Ecuador	2 625	8 029	10 654	4 797	5 857
El Salvador	6 745	2 276	9 021	5 880	3 141
Guatemala	8 149	6 626	14 775	7 661	7 114
Guyana	2 932	835	3 767	1 743	2 024
Haiti	11 745	4 213	15 958	7 253	8 705
Honduras	5 803	1 594	7 397	3 820	3 577
Jamaica	4 788	1 146	5 934	3 154	2 780
Mexico	6 309	1 910	8 219	3 688	4 531
Nicaragua	8 376	10 983	19 359	6 631	12 728
Panama	3 095	(127)	2 968	1 807	1 161
Paraguay	3 562	1 067	4 629	1 800	2 829
Peru	6 581	2 997	9 578	6 585	2 993
Uruguay	5 109	(601)	2 508	1 205	1 303
Venezuela	4 819	(351)	4 468	2 252	2 216
Regional	5 504	10 248	15 752	6 810	8 942
Area total	141 935	93 725	235 660	121 892	113 858
EAST ASIA AND THE PACIFIC					
Cambodia a/	17 305	39 433	56 738	30 018	26 720
China a/	73 959	(12 943)	61 016	31 131	29 885
Democratic People's Republic of Korea	4 811	16 841	21 652	15 721	5 931
Indonesia	55 427	(8 197)	47 230	32 231	14 999
Lao People's Democratic Republic a/	11 252	7 807	19 059	7 933	11 126
Malaysia	1 635	(133)	1 502	830	672
Mongolia	5 191	1 570	6 761	3 159	3 602
Myanmar	36 873	4 606	41 479	22 607	18 872
Pacific island countries	4 368	9 663	14 031	4 682	9 349
Papua New Guinea a/	1 208	6 901	8 109	2 681	5 428
Philippines	7 050	9 409	16 459	12 419	4 040
Thailand a/	9 823	3 676	13 499	6 348	7 151

STATEMENT VII (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Timor-Leste	4 953	15 049	20 002	8 978	11 024
Viet Nam	38 942	(3 447)	35 495	17 483	18 012
Area total	272 797	90 235	363 032	196 221	166 811
SOUTH ASIA					
Afghanistan	47 684	183 087	230 771	179 416	51 355
Bangladesh	90 753	24 386	115 139	58 671	56 468
Bhutan	6 390	1 419	7 809	3 867	3 942
India	85 514	225 967	311 481	140 328	171 153
Maldives	822	3 167	3 989	1 286	2 703
Nepal	26 650	15 569	42 219	21 348	20 871
Pakistan	26 823	103 046	129 869	44 831	85 038
Sri Lanka	7 437	25 566	33 003	18 393	14 610
Area total	292 073	582 207	874 280	468 140	406 140
MIDDLE EAST AND NORTH AFRICA					
Algeria	7 401	830	8 231	3 768	4 463
Djibouti	1 658	3 995	5 653	1 581	4 102
Egypt	20 970	8 086	29 056	14 307	14 749
Iran (Islamic Republic of)	6 457	4 804	11 261	7 077	4 184
Iraq	9 915	182 022	191 937	93 139	98 798
Jordan	1 914	4 840	6 754	3 090	3 664
Kuwait	30	-	30	-	30
Lebanon	3 771	924	4 695	2 505	2 190
Morocco	8 870	2 162	11 032	4 132	6 900
Oman	2 120	(826)	1 294	1 124	170
Palestinian children and mothers	5 153	18 000	23 153	13 734	9 419
Sudan	35 840	72 308	108 148	74 286	33 862
Syrian Arab Republic	5 816	(162)	5 654	2 268	3 386
Tunisia	4 942	(770)	4 172	1 735	2 437
Yemen	29 991	1 625	31 216	10 571	20 645
Regional	383	33 550	33 933	15 326	18 607
Area total	144 831	331 309	476 219	240 613	237 606
CENTRAL AND EASTERN EUROPE, THE COMMONWEALTH OF INDEPENDENT STATES AND THE BALTIC STATES					
Albania	9 006	2 419	11 421	6 008	5 413
Armenia	2 766	668	3 433	2 405	1 028
Azerbaijan	3 685	441	4 126	2 478	1 648
Belarus	2	2 681	2 683	845	1 798
Bulgaria		214	214	-	214
Bosnia and Herzegovina	6 642	5 051	11 693	6 769	4 924
Croatia	256	233	489	221	267
Georgia	4 139	(102)	4 033	1 990	2 043

STATEMENT VII (continued)

Area and Country Assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Kazakhstan	3,623	203	3,826	2,581	1,245
Kosovo, Serbia and Montenegro	6,023	5,960	11,983	9,062	2,921
Kyrgyzstan	2,842	856	3,798	2,306	1,492
Republic of Moldova	4,239	3,163	7,402	3,218	4,184
Romania	5,396	3,556	8,952	5,256	3,696
Russian Federation	283	11,046	11,329	7,686	3,643
Serbia and Montenegro	10,429	6,622	17,051	11,642	5,409
Tajikistan	5,922	5,806	11,728	8,199	3,529
The former Yugoslav Republic of Macedonia	4,279	3,041	7,320	4,560	2,760
Turkey	6,285	1,056	7,341	4,071	3,270
Turkmenistan	2,728	1,226	3,954	2,559	1,395
Ukraine	15	4,650	4,665	1,915	2,750
Uzbekistan	8,402	950	9,352	7,168	2,184
Yugoslavia (former)	25	-	25	1	24
Regional	12,474	13,590	26,064	14,120	11,944
Area total	99,555	73,196	172,751	105,060	67,691
GLOBAL ASSISTANCE					
Emergency Programme Fund a/	42,229	34,743	76,972	29,861	47,111
Immunization	4,809	2,503	7,312	3,775	3,537
Intercountry programmes a/	128,671	285,243	413,914	289,361	124,553
Innocenti Research Centre	4,779	10,158	14,937	7,488	7,449
Special Session on Children	1,513	753	2,266	2,266	-
Total GLOBAL ASSISTANCE	182,001	333,400	515,401	332,751	182,650
TOTAL PROGRAMME ASSISTANCE	1,934,985	2,293,644	4,228,629	2,269,988	1,958,641
Programme Support	373,116	469,091	842,207	373,105	469,102
Management and administration	193,053	232,509	425,562	195,758	229,804
Recoveries to the budget		(102,723)	(102,723)	(102,723)	-
TOTAL BUDGET	566,169	598,877	1,165,046	466,140	698,906
TOTAL COOPERATION	2,501,154	2,892,521	5,393,675	2,736,128	2,657,547

a/ Approved programmes unspent balances as at January 2002 have been reclassified between countries, regional and global assistance.

STATEMENT VII-1

PROGRAMME COOPERATION: STATEMENT OF APPROVED PROGRAMMES, EXPENDITURES AND UNSPENT BALANCES FOR REGULAR RESOURCES FOR THE BIENNIUM ENDED 31 DECEMBER 2003

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
AFRICA					
Angola	6 780	11 324	18 104	12 379	5 725
Benin	1 993	10 969	12 962	3 330	9 632
Botswana	877	4 228	5 105	2 491	2 614
Burkina Faso	18 728	(873)	17 855	9 293	8 562
Burundi	8 115	-	8 115	4 948	3 167
Cameroon	3 158	14 228	17 386	5 381	12 005
Cape Verde	1 922	-	1 922	1 253	669
Central African Republic	7 906	627	8 533	3 679	4 854
Chad	11 016	686	11 702	5 270	6 432
Comoros	1 448	2 634	4 082	1 250	2 832
Congo	1 018	7 453	8 471	3 546	4 925
Côte d'Ivoire	4 809	16 439	21 248	6 320	14 928
Democratic Republic of the Congo	16 727	52 668	69 395	36 151	33 244
Equatorial Guinea	4 948	(1 680)	3 268	1 305	1 963
Eritrea	7 343	(123)	7 220	2 940	4 280
Ethiopia	81 235	(303)	80 932	28 569	52 363
Gabon	3 975	(874)	3 101	1 259	1 842
Gambia	5 251	(1 362)	3 889	1 396	2 493
Ghana	16 388	(2 140)	14 248	6 915	7 333
Guinea	12 275	456	12 731	5 194	7 537
Guinea-Bissau	1 539	5 124	6 663	2 120	4 543
Kenya	5 678	30 280	35 958	9 890	26 068
Lesotho	6 710	(230)	6 480	2 473	4 007
Liberia	1 655	5 510	7 165	3 804	3 361
Madagascar	11 570	4 355	15 925	9 792	6 133
Malawi	24 841	(92)	24 749	9 598	15 151
Mali	7 104	24 684	31 788	9 855	21 933
Mauritania	1 989	7 666	9 655	2 556	7 099
Mauritius	1 706	(738)	968	924	44
Mozambique	38 349	635	38 984	14 194	24 790
Namibia	3 382	102	3 484	1 844	1 640
Niger	20 608	25 324	45 932	12 777	33 155
Nigeria	131 831	(5 140)	126 691	39 647	87 044

STATEMENT VII-1 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Rwanda	12 316	1 032	13 348	5 625	7 723
Sao Tome and Principe	3 833	(777)	3 056	1 214	1 842
Senegal	10 521	119	10 640	4 139	6 501
Sierra Leone	5 539	13 544	19 083	6 837	12 246
Somalia	9 062	23 570	32 632	9 621	23 011
South Africa	5 144	503	5 647	2 703	2 944
Swaziland	3 970	159	4 129	2 323	1 806
Togo	8 331	165	8 496	3 316	5 180
Uganda	24 496	(3 479)	21 017	10 276	10 741
United Republic of Tanzania	40 757	(890)	39 867	14 906	24 961
Zambia	18 590	675	19 265	7 276	11 989
Zimbabwe	5 154	1 073	6 227	3 804	2 423
Area total	620 587	247 531	868 118	334 383	533 735
THE AMERICAS AND THE CARIBBEAN					
Argentina	2 023	(1 028)	995	906	89
Belize	3 726	(716)	3 010	1 095	1 915
Bolivia	1 243	6 069	7 312	2 364	4 948
Brazil	8 749	(4 347)	4 402	2 291	2 111
Chile	2 885	(1 085)	1 800	1 173	627
Colombia	5 296	(110)	5 186	1 710	3 476
Costa Rica	3 765	(718)	3 047	1 165	1 882
Cuba	4 120	(1 032)	3 088	982	2 106
Dominican Republic	4 473	(785)	3 688	1 371	2 317
Ecuador	1 476	4 519	5 995	1 711	4 284
El Salvador	4 536	(1 095)	3 441	1 282	2 159
Guatemala	5 323	(645)	4 678	1 636	3 042
Guyana	2 699	735	3 434	1 509	1 925
Haiti	9 989	2 629	12 618	5 345	7 273
Honduras	5 102	502	5 604	2 272	3 332
Jamaica	3 777	(398)	3 379	1 257	2 122
Mexico	5 071	(593)	4 478	1 853	2 625
Nicaragua	5 174	(659)	4 515	1 399	3 116
Panama	2 780	(457)	2 323	1 210	1 113
Paraguay	3 426	150	3 576	1 458	2 118
Peru	3 857	(56)	3 801	1 886	1 915
Uruguay	2 618	(687)	1 931	1 172	759

STATEMENT VII-1 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Venezuela	4 262	(1 090)	3 172	1 347	1 825
Regional	1 853	8 157	10 010	3 646	6 364
Area total	98 223	7 260	105 483	42 040	63 443
EAST ASIA AND THE PACIFIC					
Cambodia	13 312	1 225	14 537	6 851	7 686
China	69 559	(21 057)	48 502	23 381	25 121
Democratic People's Republic of Korea	1 961	6 240	8 201	4 551	3 650
Indonesia	47 894	(26 764)	21 130	10 584	10 546
Lao People's Democratic Republic	8 226	(107)	8 119	2 965	5 154
Malaysia	1 635	(133)	1 502	830	672
Mongolia	4 428	(115)	4 313	1 793	2 520
Myanmar	31 293	(2 714)	28 579	14 591	13 988
Pacific island countries	3 557	8 746	12 303	3 810	8 493
Papua New Guinea	1 161	5 567	6 728	2 183	4 545
Philippines	4 608	3 122	7 730	5 383	2 347
Thailand	6 429	(1 530)	4 899	1 799	3 100
Timor-Leste	324	3 615	3 939	2 668	1 271
Viet Nam	31 147	(13 415)	17 732	8 149	9 583
Area total	225 534	(37 320)	188 214	89 538	98 676
SOUTH ASIA					
Afghanistan	10 267	32 260	42 527	23 709	18 818
Bangladesh	71 891	(19 068)	52 823	22 138	30 685
Bhutan	5 005	(614)	4 391	1 685	2 706
India	34 974	152 894	187 868	56 722	131 146
Maldives	772	3 080	3 852	1 169	2 683
Nepal	21 804	790	22 594	7 463	15 131
Pakistan	23 937	66 873	90 810	23 727	67 083
Sri Lanka	4 458	99	4 557	1 850	2 707
Area total	173 108	236 314	409 422	138 463	270 959
MIDDLE EAST AND NORTH AFRICA					
Algeria	6 611	(844)	5 767	2 104	3 663
Djibouti	1 333	3 510	4 843	1 251	3 592

STATEMENT VII-1 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Egypt	15 580	(4 477)	11 103	5 171	5 932
Iran (Islamic Republic of)	5 528	508	6 036	3 656	2 380
Iraq	6 459	492	6 951	4 101	2 850
Jordan	1 105	3 340	4 445	1 345	3 100
Lebanon	3 384	(207)	3 177	1 240	1 937
Morocco	7 898	(255)	7 643	2 960	4 683
Oman	2 025	(1 054)	971	926	45
Palestinian children and mothers	3 784	4 028	7 812	4 444	3 368
Sudan	25 302	5 056	30 358	14 601	15 757
Syrian Arab Republic	5 815	(932)	4 883	1 764	3 119
Tunisia	4 624	(1 049)	3 575	1 395	2 180
Yemen	19 114	215	19 329	6 466	12 863
Regional	383	250	633	616	17
Area total	108 945	8 581	117 526	52 040	65 486
CENTRAL AND EASTERN EUROPE, THE COMMONWEALTH OF INDEPENDENT STATES AND THE BALTIC STATES					
Albania	3 422	(544)	2 878	1 383	1 495
Armenia	2 000	48	2 048	1 325	723
Azerbaijan	2 812	118	2 930	1 823	1 107
Belarus	-	1 991	1 991	668	1 323
Bosnia and Herzegovina	2 080	(43)	2 037	1 098	939
Croatia	2	169	171	188	(17)
Georgia	3 467	(556)	2 911	1 394	1 517
Kazakhstan	2 902	13	2 915	1 915	1 000
Kosovo, Serbia and Montenegro	900	3 200	4 100	2 611	1 489
Kyrgyzstan	2 431	522	2 953	1 796	1 157
Republic of Moldova	4 022	(446)	3 576	1 294	2 282
Romania	2 277	-	2 277	1 389	888
Russian Federation	-	2 881	2 881	975	1 906
Tajikistan	3 920	585	4 505	3 121	1 384
The former Yugoslav Republic of Macedonia	1 845	124	1 969	1 252	717
Turkey	4 271	(377)	3 894	1 665	2 229
Turkmenistan	2 567	448	3 015	1 915	1 100
Ukraine	-	3 390	3 390	1 147	2 243
Uzbekistan	5 016	537	5 553	3 684	1 869
Serbia and Montenegro	1 401	499	1 900	1 021	879

STATEMENT VII-1 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Yugoslavia (former)	1	-	1	-	1
Regional	5 285	3 927	9 212	4 392	4 820
Area total	50 621	16 486	67 107	36 056	31 051
GLOBAL ASSISTANCE					
Emergency Programme Fund	41 678	17 766	59 444	17 380	42 064
Immunization	688	-	688	(49)	737
Intercountry programmes	32 350	33 940	66 290	29 898	36 392
TOTAL GLOBAL ASSISTANCE	74 716	51 706	126 422	47 229	79 193
TOTAL PROGRAMME ASSISTANCE	1 351 734	530 558	1 882 292	739 749	1 142 543
Programme support	373 116	469 091	842 207	373 105	469 102
Management and administration	193 053	232 509	425 562	195 758	229 804
Recoveries to the budget	-	(102 723)	(102 723)	(102 723)	
TOTAL BUDGET	566 169	598 877	1 165 046	466 140	698 906
TOTAL COOPERATION	1 917 903	1 129 435	3 047 338	1 205 889	1 841 449

STATEMENT VII-2

PROGRAMME COOPERATION: STATEMENT OF APPROVED PROGRAMMES, EXPENDITURES AND UNSPENT BALANCES FOR SUPPLEMENTARY FUNDS FOR THE BIENNIUM ENDED 31 DECEMBER 2003

(In thousands of United States dollars)

Area and country assistance	Approved programmes unspent balances as at 1 January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
AFRICA					
Angola	5 094	8 722	13 816	8 698	5 118
Benin	2 179	7 142	9 321	5 861	3 460
Botswana	1 234	481	1 715	1 422	293
Burkina Faso	3 456	7 968	11 424	6 380	5 044
Burundi	1 345	1 586	2 931	1 541	1 390
Cameroon	2 114	3 028	5 142	2 842	2 300
Cape Verde	792	509	1 301	755	546
Central African Republic	560	2 246	2 806	1 581	1 225
Chad	2 068	5 275	7 343	4 193	3 150
Comoros	233	62	295	196	99
Congo	382	931	1 313	1 205	108
Côte d'Ivoire	368	2 403	2 771	799	1 972
Democratic Republic of the Congo	4 053	14 164	18 217	12 560	5 657
Equatorial Guinea	289	354	643	336	307
Eritrea	5 587	8 823	14 410	5 553	8 857
Ethiopia	8 986	31 361	40 347	20 290	20 057
Gabon	7	373	380	129	251
Gambia	1 074	1 535	2 609	1 572	1 037
Ghana	4 756	19 717	24 473	12 836	11 637
Guinea	1 760	5 182	6 942	4 992	1 950
Guinea-Bissau	1 971	1 743	3 714	2 327	1 387
Kenya	3 739	5 299	9 038	5 302	3 736
Lesotho	1 648	1 418	3 066	2 007	1 059
Liberia	1 587	3 172	4 759	2 150	2 609
Madagascar	1 785	2 583	4 368	2 770	1 598
Malawi	6 133	21 756	27 889	19 481	8 408
Mali	2 600	9 673	12 273	7 685	4 588
Mauritania	1 804	3 847	5 651	3 557	2 094
Mauritius	14	(2)	12	9	3
Mozambique	13 438	10 796	24 234	10 093	14 141
Namibia	1 572	3 462	5 034	3 331	1 703
Niger	1 989	6 161	8 150	4 768	3 382
Nigeria	5 382	19 680	25 062	13 393	11 669

STATEMENT VII-2 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Rwanda	2 039	5 632	7 671	4 491	3 180
Sao Tome and Principe	(1)	33	32		32
Senegal	4 378	6 754	11 132	6 939	4 193
Sierra Leone	1 826	6 059	7 885	4 615	3 270
Somalia	8 875	9 744	18 619	11 887	6 732
South Africa	1 936	5 770	7 706	5 057	2 649
Swaziland	1 388	2 292	3 680	2 676	1 004
Togo	945	2 002	2 947	1 715	1 232
Uganda	7 336	10 999	18 335	9 412	8 923
United Republic of Tanzania	5 001	15 878	20 879	11 393	9 486
Zambia	5 038	12 126	17 164	13 021	4 143
Zimbabwe	4 261	6 831	11 092	7 697	3 395
Regional	214	740	954	109	845
Area total	133 235	296 310	429 545	249 626	179 919
THE AMERICAS AND THE CARIBBEAN					
Argentina	3 092	2 523	5 615	3 236	2 379
Belize	72	47	119	38	81
Bolivia	1 744	11 381	13 125	5 991	7 134
Brazil	11 438	15 523	26 961	19 269	7 692
Chile	38	604	642	495	147
Colombia	2 707	4 794	7 501	5 924	1 577
Costa Rica	15	299	314	70	244
Cuba	498	1 382	1 880	1 357	523
Dominican Republic	1 495	8 667	10 162	6 738	3 424
Ecuador	1 127	3 510	4 637	3 086	1 551
El Salvador	954	2 092	3 046	2 119	927
Guatemala	2 751	7 271	10 022	5 853	4 169
Guyana	233	100	333	234	99
Haiti	1 756	1 584	3 340	1 908	1 432
Honduras	701	1 052	1 753	1 474	279
Jamaica	1 011	1 544	2 555	1 897	658
Mexico	1 238	2 503	3 741	1 835	1 906
Nicaragua	3 202	11 642	14 844	5 232	9 612
Panama	315	330	645	597	48
Paraguay	136	917	1 053	342	711
Peru	2 562	2 689	5 251	4 198	1 053
Uruguay	491	86	577	33	544

STATEMENT VII-2 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Venezuela	509	851	1 360	983	377
Regional	2 027	2 028	4 055	2 668	1 387
Area total	40 112	83 419	123 531	75 577	47 954
EAST ASIA AND THE PACIFIC					
Cambodia	4 033	38 208	42 241	23 167	19 074
China	4 403	7 617	12 020	7 254	4 766
Democratic People's Republic of Korea	617	895	1 512	978	534
Indonesia	4 834	13 973	18 807	15 066	3 741
Lao People's Democratic Republic	3 026	7 914	10 940	4 968	5 972
Mongolia	659	1 685	2 344	1 300	1 044
Myanmar	5 580	7 320	12 900	8 016	4 884
Pacific island countries	811	917	1 728	872	856
Papua New Guinea	47	1 334	1 381	498	883
Philippines	2 442	6 287	8 729	7 036	1 693
Thailand	3 394	5 206	8 600	4 549	4 051
Timor-Leste	1 820	10 685	12 505	3 479	9 026
Viet Nam	7 646	9 968	17 614	9 199	8 415
Area total	39 312	112 009	151 321	86 382	64 939
SOUTH ASIA					
Afghanistan	1 085	25 881	26 966	9 273	17 693
Bangladesh	18 574	43 440	62 014	36 452	25 562
Bhutan	1 385	2 033	3 418	2 182	1 236
India	37 500	71 391	108 891	70 708	38 183
Maldives	50	87	137	117	20
Nepal	4 846	14 779	19 625	13 885	5 740
Pakistan	2 883	36 173	39 056	21 104	17 952
Sri Lanka	1 390	4 963	6 353	4 381	1 972
Area total	67 713	198 747	266 460	158 102	108 358
MIDDLE EAST AND NORTH AFRICA					
Algeria	790	1 268	2 058	1 353	705
Djibouti	274	531	805	289	516
Egypt	5 390	12 563	17 953	9 136	8 817

STATEMENT VII-2 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Iran (Islamic Republic of)	311	2 558	2 869	2 136	733
Iraq	2 967	3 730	6 697	4 126	2 571
Jordan	815	1 437	2 252	1 662	590
Lebanon	387	1 131	1 518	1 256	262
Morocco	972	2 417	3 389	1 172	2 217
Oman	95	228	323	198	125
Palestinian children and mothers	1 332	7 126	8 458	4 266	4 192
Sudan	1 346	5 965	7 311	5 789	1 522
Syrian Arab Republic	1	371	372	82	290
Tunisia	318	279	597	340	257
Yemen	10 476	1 410	11 886	4 105	7 781
Regional		158	158	48	110
Area total	25 474	41 172	66 646	35 958	30 688
CENTRAL AND EASTERN EUROPE, THE COMMONWEALTH OF INDEPENDENT STATES AND THE BALTIC STATES					
Albania	4 711	3 201	7 912	4 234	3 678
Armenia	777	620	1 397	1 080	317
Azerbaijan	870	323	1 193	654	539
Belarus		560	560	177	383
Bosnia and Herzegovina	1 344	4 157	5 501	2 712	2 789
Bulgaria		214	214		214
Croatia	1	65	66	2	64
Georgia	630	454	1 084	595	489
Kazakhstan	721	190	911	666	245
Kosovo, Serbia and Montenegro		1 978	1 978	634	1 344
Kyrgyzstan	511	334	845	510	335
Republic of Moldova	217	3 609	3 826	1 924	1 902
Romania	3 113	3 556	6 669	3 867	2 802
Russian Federation	262	1 905	2 167	1 184	983
Tajikistan	341	1 402	1 743	705	1 038
The former Yugoslav Republic of Macedonia	132	2 352	2 484	567	1 917
Turkey	1 226	861	2 087	1 105	982
Turkmenistan	157	293	450	159	291
Ukraine		1 260	1 260	768	492
Uzbekistan	3 386	131	3 517	3 202	315

STATEMENT VII-2 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Serbia and Montenegro	406	5 740	6 146	2 249	3 897
Regional	4 321	4 879	9 200	5 299	3 901
Area total	23 126	38 084	61 210	32 293	28 917
GLOBAL ASSISTANCE					
Emergency Programme Fund	851	16 977	17 828	12 781	5 047
Immunization	4 121	2 503	6 624	3 824	2 800
Intercountry programmes	96 311	251 303	347 614	259 463	88 151
Innocenti Research Centre	4 779	10 158	14 937	7 488	7 449
Special Session on Children	1 513	753	2 266	2 266	
TOTAL GLOBAL ASSISTANCE	107 575	281 694	389 269	285 822	103 447
TOTAL PROGRAMME ASSISTANCE	436 547	1 051 435	1 487 982	923 760	564 222

STATEMENT VII-3

PROGRAMME COOPERATION: STATEMENT OF APPROVED PROGRAMMES, EXPENDITURES AND UNSPENT BALANCES FOR EMERGENCY RELIEF AND REHABILITATION FOR THE BIENNIUM ENDED 31 DECEMBER 2003

(In thousands of United States dollars)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
AFRICA					
Angola	3 989	29 460	33 449	29 987	3 462
Benin	11		11		11
Botswana	23	(81)	(58)		(58)
Burundi	17	12 110	12 127	9 438	2 689
Burkina Faso		150	150	181	(31)
Central African Republic	111	177	288	113	175
Chad	1		1		1
Comoros		473	473	225	248
Congo	125	1 513	1 638	1 193	445
Côte d'Ivoire	12	8 384	8 396	2 789	5 607
Democratic Republic of the Congo	(241)	18 286	18 045	12 476	5 569
Eritrea	1 420	13 244	14 664	10 485	4 179
Ethiopia	4 643	45 137	49 780	33 722	16 058
Ghana		131	131	72	59
Guinea	1 536	1 549	3 085	2 834	251
Guinea-Bissau	135	(104)	31		31
Kenya	1 781	3 921	5 702	4 858	844
Lesotho		781	781	423	358
Liberia	992	9 070	10 062	5 195	4 867
Madagascar	261		261	87	174
Malawi		9 231	9 231	6 443	2 788
Mali		97	97	130	(33)
Mauritania		2 264	2 264	1 038	1 226
Mozambique	7 914	5 209	13 123	9 354	3 769
Rwanda	(221)	1 456	1 235	2 028	(793)
Senegal	33	2 361	2 394	1 585	809
Sierra Leone	5 369	10 940	16 309	12 251	4 058
Somalia	6 452	18 083	24 535	21 217	3 318
Swaziland		3 203	3 203	1 229	1 974
Uganda	(1)	5 769	5 768	4 363	1 405
United Republic of Tanzania	80	1 950	2 030	394	1 636
Zambia	108	4 646	4 754	3 209	1 545
Zimbabwe	420	11 924	12 344	6 067	6 277

STATEMENT VII-3 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Regional	13 001	24 318	37 319	30 006	7 313
Area total	47 971	245 652	293 623	213 392	80 231
THE AMERICAS AND THE CARIBBEAN					
Belize	61	94	155	155	
Bolivia	2		2		2
Colombia	152	1 283	1 435	150	1 285
Cuba	199		199	198	1
Dominican Republic		35	35	38	(3)
Ecuador	22		22		22
El Salvador	1 255	1 279	2 534	2 479	55
Guatemala	75		75	172	(97)
Honduras		40	40	74	(34)
Peru	162	364	526	501	25
Venezuela	48	(112)	(64)	(78)	14
Regional	1 624	63	1 687	496	1 191
Area total	3 600	3 046	6 646	4 185	2 461
EAST ASIA AND THE PACIFIC					
Cambodia	(40)		(40)		(40)
China	(3)	497	494	496	(2)
Democratic People's Republic of Korea	2 233	9 706	11 939	10 192	1 747
Indonesia	2 699	4 594	7 293	6 581	712
Mongolia	104		104	66	38
Timor-Leste	2 809	749	3 558	2 831	727
Viet Nam	149		149	135	14
Area total	7 951	15 546	23 497	20 301	3 196
SOUTH ASIA					
Afghanistan	36 332	124 946	161 278	146 434	14 844
Bangladesh	288	14	302	81	221
India	13 040	1 682	14 722	12 898	1 824
Pakistan	3		3		3
Sri Lanka	1 589	20 504	22 093	12 162	9 931
Area total	51 252	147 146	198 398	171 575	26 823

STATEMENT VII-3 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
MIDDLE EAST AND NORTH AFRICA					
Algeria		406	406	311	95
Djibouti	51	(46)	5	11	(6)
Iran (Islamic Republic of)	618	1 738	2 356	1 285	1 071
Iraq	489	177 800	178 289	84 912	93 377
Jordan	(6)	63	57	83	(26)
Kuwait	30		30		30
Lebanon				9	(9)
Palestinian children and mothers	37	6 846	6 883	5 024	1 859
Sudan	9 192	61 287	70 479	53 896	16 583
Syrian Arab Republic		399	399	422	(23)
Yemen	1		1		1
Regional		33 142	33 142	14 662	18 480
Area total	10 412	281 635	292 047	160 615	131 432
CENTRAL AND EASTERN EUROPE, THE COMMONWEALTH OF INDEPENDENT STATES AND THE BALTIC STATES					
Albania	873	(242)	631	391	240
Armenia	(12)		(12)		(12)
Azerbaijan	3		3	1	2
Belarus	2		2		2
Bosnia and Herzegovina	3 218	937	4 155	2 959	1 196
Croatia	252	(1)	251	31	220
Georgia	38		38	1	37
Kosovo, Serbia and Montenegro	5 123	782	5 905	5 817	88
Romania	6		6		6
Russian Federation	21	6 260	6 281	5 527	754
Serbia and Montenegro	8 622	383	9 005	8 372	633
Tajikistan	1 661	3 819	5 480	4 373	1 107
The former Yugoslav Republic of Macedonia	2 302	565	2 867	2 741	126
Turkey	788	572	1 360	1 301	59
Turkmenistan	4	485	489	485	4
Ukraine	15		15		15
Uzbekistan		282	282	282	
Yugoslavia (former)	24		24	1	23

STATEMENT VII-3 (continued)

Area and country assistance	Approved programmes unspent balances as at January 2002	New programmes and cancellations	Total programmes	Total expenditures	Approved programmes unspent balances as at 31 December 2003
Regional	2 868	4 784	7 652	4 429	3 223
Area total	25 808	18 626	44 434	36 711	7 723
GLOBAL ASSISTANCE					
Emergency Programme Fund	(300)		(300)	(300)	
Intercountry programmes	10		10		10
TOTAL GLOBAL ASSISTANCE	(290)		(290)	(300)	10
TOTAL PROGRAMME ASSISTANCE	146 704	711 651	858 355	606 479	251 876

B. Notes to the financial statements

Note 1
Statement of the objectives and activities of UNICEF

1. UNICEF is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. The organization mobilizes political will and material resources to help countries, particularly developing countries, ensure a "first call for children" and build their capacity to form appropriate policies and deliver services for children and their families.

Note 2
Summary of significant accounting policies

Accounting conventions

2. The financial statements are prepared in accordance with the Financial Regulations and Rules of UNICEF and the United Nations system accounting standards.

3. In line with the goal of achieving harmonization of the presentation of the accounts by agencies in the United Nations system, the financial statements are presented in line with the formats agreed upon by the United Nations System Chief Executives Board for Coordination.

Financial period

4. In accordance with the UNICEF Financial Regulations and Rules, the accounts are maintained on a biennial basis.

Unit of account

5. The accounting unit is the United States dollar. The equivalent in United States dollars of other currencies is established on the basis of the United Nations operational rate of exchange.

Translation of currencies

6. Differences between the valuation of the currencies when entered into the accounts and when actual transactions are completed are accounted for as gains or losses on exchange transactions. Periodically, assets and liabilities in currencies other than United States dollars are revalued for accounting purposes at the prevailing United Nations operational rates of exchange. Any variance due to fluctuation of those rates is accounted for as income or loss and shown separately in the statement of income and expenditure. In accordance with UNICEF Executive Board decision 1990/28,[a] differences resulting from the payment of contributions pledged in currencies other than United States dollars are recorded against the contributions.

[a] See *Official Records of the Economic and Social Council, 1990, Supplement No. 8* (E/1990/28), chap. IV.

Income

7. Income consists of regular resources, supplementary funds and funds for emergency relief and rehabilitation. Regular resources include funds from the voluntary annual contributions of Governments, intergovernmental organizations and NGOs, the net income from the Private Sector Division, unearmarked funds contributed by the public and other income. Supplementary funds are those contributed to UNICEF by Governments, intergovernmental organizations, NGOs and the United Nations system for specific purposes within the programmes approved by the UNICEF Executive Board. Emergency relief and rehabilitation funds include those contributed for emergency operations.

8. Income is recorded on the basis of funds or pledges received for the current year. Pledges received for future years for purposes specified by donors are considered deferred income and recorded as "contributions received in advance".

9. Contribution income received from National Committees for UNICEF is accounted for on a cash basis, with the exception of contributions for supplementary funds and for emergency relief and rehabilitation, which may be recorded on the basis of a valid pledge from a National Committee. The validity of the pledge is determined by the existence of funds raised and a statement from the National Committee that it is committing funds to UNICEF in the form of a pledge.

10. The statement of income and expenditures does not include funds received and disbursements made from trust funds. Those transactions that do not require commitments by the Executive Board are maintained as trust funds.

11. All other income received by UNICEF is classified as miscellaneous income and is credited as regular resources.

12. Contributions in kind (supplies) are valued by management and reflect the cost UNICEF would normally pay for similar items.

13. Donations in kind are not reflected in the financial accounts of UNICEF, although they are handled through the administrative structures of the organization.

Expenditure

14. All expenditures of UNICEF are accounted for on an accrual basis, except for those relating to staff entitlements, which are accounted for on the basis of cash disbursements only.

15. Deferred charges comprise expenditure items which are not properly chargeable in the current financial period and which will be charged as expenditure in a subsequent financial period.

16. No provision is made for staff entitlements, such as repatriation, that will arise in the future or to meet contingencies under appendix D of the United Nations Staff Rules, as funds are provided in the budget appropriations as required.

Cash

17. All funds received, including those under trust fund arrangements, are deposited into UNICEF bank accounts and are reflected as cash holdings.

Stock

18. The stock of programme supplies at the UNICEF Supply Division warehouse at Copenhagen is shown at average cost. All costs associated with bringing the goods to the warehouse are considered as part of the average cost. Goods in transit to the warehouse are valued at actual cost.

Non-expendable property

19. Furniture, equipment and other non-expendable property are not included in the assets of the organization. Acquisitions are charged against budgetary accounts in the year of purchase.

Capital asset reserve

20. By its decision 1990/26,[b] the Executive Board authorized the establishment of a capital asset reserve fund to better control future purchases of UNICEF capital assets, mainly buildings to be purchased for office accommodations and staff housing in the field. At such time as may be necessary, additional authorized appropriations will be made to replenish the capital asset reserve.

Consolidation of Private Sector Division accounts

21. The financial report and accounts reflect UNICEF income, expenditure, assets and liabilities, including the net operating income, assets and liabilities of the Private Sector Division. Inter-office transactions between UNICEF and the Private Sector Division are eliminated for Private Sector Division consolidation purposes.

Private Sector Division accounting conventions

22. The Private Sector Division accounts are maintained in accordance with the Financial Regulations and Rules of UNICEF and the Greeting Card Operation special supplement thereto.

Private Sector Division translation of currencies

23. Gross proceeds are recorded in local currency based on current year deliveries. They are converted into United States dollars at the United Nations operational rates of exchange prevailing on 31 December.

Private Sector Division allowance for exchange rate fluctuation and doubtful accounts receivable

24. The policy of making an allowance of 10 per cent of non-United States dollar-denominated outstanding accounts receivable as at 31 December as a provision for delays in the collection thereof is discontinued effective 31 December 2003. In accordance with Private Sector Division accounting policy, a provision to cover accounts receivable that are considered doubtful for collection may be established.

[b] See *Official Records of the Economic and Social Council, 1990, Supplement No. 8* (E/1990/28), chap IV.

Private Sector Division inventories

25. Inventories of work in process and finished goods are valued at standard cost, while raw materials are valued at moving average cost. It is Private Sector Division policy to write down unsold cards and dated products at the end of the first sales campaign year and all other products at the end of the second sales campaign year. Products that have been written down and carried forward are valued at their add-on cost. All publicity and promotion materials produced in the current campaign year but relating to future campaign years are shown at standard cost and included in inventory.

Private Sector Division capital assets

26. Capital assets costing $100,000 or more are capitalized and depreciated over their estimated useful life.

Private Sector Division liabilities

27. Liabilities are accrued in the Private Sector Division accounts following recognized accounting standards, and appropriate cut-off procedures are followed consistently.

Private Sector Division income

28. Gross proceeds from the sale of cards and products are recorded in foreign currency and accrued on the basis of the provisional sales reports received from the sales partners at year's end. They are converted into United States dollars at the United Nations operational rates of exchange prevailing on 31 December of the year in question. The accrual is adjusted in the following year on receipt of the final sales report. If the provisional sales report is not received from a sales partner by the end-of-year closure, gross proceeds are accrued on the basis of that sales partner's average sales-to-delivery ratio for the current year.

29. Income from private sector fund-raising activities and related expenses are recorded separately in the Private Sector Division accounts. The net proceeds raised by National Committees from private sector fund-raising activities are recorded on the basis of the reports they submit at year's end, while the net proceeds raised by field offices from private sector fund-raising activities are recorded upon receipt of funds.

Note 3
Transfer to the biennium support budget

30. A transfer is made from income to the biennium support budget, in keeping with the budget harmonization of UNDP, the United Nations Population Fund (UNFPA) and UNICEF, as follows:

	2002-2003	2000-2001
	(Thousands of United States dollars)	
Government contributions towards local costs	571	646
Income tax reimbursement	15 278	14 785
Total	**15 849**	**15 431**

Note 4
Private Sector Division income

31. Net income from the Private Sector Division for the biennium ended 31 December 2003 was $570,796,000, broken down as follows:

	2002	2003	Total	2000-2001
	(Thousands of United States dollars)			
Income				
Gross proceeds from sales	125 925	151 469	277 394	218 362
Private sector fund-raising	245 156	258 531	503 687	312 032
Other income	5 461	5 511	10 972	18 238
Total	**376 542**	**415 511**	**792 053**	**548 632**
Total expenditures	95 162	126 095	221 257	224 254
Net income	**281 380**	**289 416**	**570 796**	**324 378**

Note 5
Miscellaneous income

	2002-2003	2000-2001
	(Thousands of United States dollars)	
Liquidation of prior year's outstanding budgetary obligations	26 507	20 638
Income from the sale of surplus and obsolete property	1 729	2 672
Agency commissions from procurement services	1 915	1 837
Gains and losses on foreign exchange transactions	5 222	14 047
Miscellaneous — others	3 170	2 517
Total	**38 543**	**41 711**

Note 6
Currency exchange adjustment

32. The currency exchange adjustments line no longer reflects all exchange adjustments and therefore direct comparison with the previous biennium is not possible. In 2002–2003, all exchange adjustments related to other resources are recorded against those contributions. This is in line with Financial Regulation 4.10 and UNICEF Executive Board decision 1990/28.[c]

33. If the disclosure rules had been strictly applied, the figure for currency adjustments for 2000-2001 would have been $6.75 million less, a total of ($16,756 million), with no impact on the UNICEF net excess of income over expenditure.

Note 7
Write-offs

	Regular resources	*Other resources*	*Emergency relief and rehabilitation*	*Total 2002-2003*	*Total 2000-2001*
	(Thousands of United States dollars)				
Uncollectible contributions	518	5 322	6 613	12 453	10 411
Stock write-offs	3 570	334		3 904	3 347
Prior years' adjustments	745	(1 448)	747	44	28
Total	**4 833**	**4 208**	**7 360**	**16 401**	**13 786**

Note 8
Cash and term deposits

	2003	*2001*
	(Thousands of United States dollars)	
Term deposits	927 233	619 922
Cash (convertible)	26 867	17 085
Cash (non-convertible)	7 259	7 543
Total cash and term deposits	**961 359**	**644 550**

Note 9
Ageing analysis of contributions receivable

Prior to 2001	*2001*	*2002*	*2003*	*Total 2003*	*Total 2001*
		(Thousands of United States dollars)			
2 798	4 333	12 847	249 115	269 093	212 588

[c] See *Official Records of the Economic and Social Council 1990, Supplement No. 8* (E/1990/28), chap IV.

Note 10
Provision for uncollectible contributions receivable

34. In line with the recommendation of the external auditors,[4] UNICEF maintains a provision for potentially uncollectible contributions receivable. This provision is set at $5 million.

Note 11
Other accounts receivable

	2003	2001
	(Thousands of United States dollars)	
From NGOs for fund-raising campaigns of National Committees for UNICEF	312 504	208 732
Less Private Sector Division allowance for exchange rate fluctuation and uncollectible accounts	(28 241)	(24 606)
From Governments, United Nations agencies and other organizations for trust funds	21 022	75 038
From United Nations and specialized agencies	4 959	
From staff members	21 432	17 924
From banks – accrued interest	3 074	4 462
Advances to suppliers for goods and freight	8 296	3 938
Deferred charges – Central Emergency Revolving Fund		1 636
From Governments – other	1 083	899
Deposits and prepayments	612	801
Miscellaneous	157	262
Total	**344 898**	**289 086**

Note 12
Inventories

	2003	2001
	(Thousands of United States dollars)	
Programme supplies in warehouse	23 222	18 583
Packing materials in warehouse	251	167
Private Sector Division – raw materials	2 402	2 404
– work in progress	189	230
– finished goods	2 455	4 324
Total	**28 519**	**25 708**

[4] See *Official Records of the General Assembly, Fifty-first Session, Supplement No. 5B* (A/51/5/Add.2), para. 35.

Note 13
Buildings and equipment

	UNICEF office buildings	*UNICEF housing*	*Private Sector Division machinery and equipment*	*Total*
		(Thousands of United States dollars)		
As at 31 December 2001	11 454	946	319	12 719
Additions	919			919
Disposals		366		366
Depreciation			243	243
As at 31 December 2003	**12 373**	**580**	**76**	**13 029**

35. There was a net increase of $310,000 in the capital asset fund during the biennium 2002-2003.

Note 14
Contributions received in advance

	2003	*2001*
	(Thousands of United States dollars)	
Governments and intergovernmental agencies	1 852	3 080
Others	898	379
Total	**2 750**	**3 459**

36. Further to contributions received in advance, pledges amounting to $161,269,472 had already been received for future years.

Note 15
Unliquidated obligations

	2003	*2001*
	(Thousands of United States dollars)	
Programme budget accounts	117 810	160 552
Administrative budget accounts	10 081	12 688
Total	**127 891**	**173 240**

Note 16
Accounts payable

	2003	2001
	(Thousands of United States dollars)	
To the United Nations and specialized agencies	2 621	4 033
Central Emergency Revolving Fund	3 427	12 500
Supplies, service and freight	65 716	52 459
Miscellaneous	8 491	6 148
Total	**80 255**	**75 140**

Note 17
Medical insurance plans

	2003	2001
	(Thousands of United States dollars)	
Opening balance	24 343	19 329
Premiums	15 996	12 972
Expenditures	8 889	7 958
Ending balance	**31 450**	**24 343**

37. The Medical Insurance Plan is a health and dental insurance plan operated by the United Nations, UNDP, the Office of the United Nations High Commissioner for Refugees (UNHCR) and UNICEF at designated duty stations for the benefit of locally-recruited General Service staff members, national Professional officers, former staff members and their eligible family members. The staff and the organization share the cost of the premiums. The balance represents premiums less expenses.

Note 18
Reserve for procurement services — staff and related costs

38. In 1993, the Executive Board approved the level of the reserve for procurement services at $2 million.[c] There were no movements in the reserve during the biennium 2002-2003.

[c] See *Official Records of the Economic and Social Council, 1993, Supplement No. 14* (E/1993/34-E/ICEF/1993/14), chap. IV, decision 1993/19.

39. The income and expenditures relating to procurement services amounted to:

	2002-2003	*2000-2001*
	(Thousands of United States dollars)	
Funds received	12 160	10 425
Staff-related expenses	10 245	8 588
Transfer to miscellaneous income	**1 915**	**1 837**

Note 19
Insurance reserves

Reserve for losses of programme supplies and equipment

40. In 1950, the Executive Board authorized the establishment of a reserve for insurance of $200,000 to absorb losses of UNICEF programme supplies and equipment not covered by commercial insurance. The reserve balance at the end of 2001 was $104,010. There was an increase of $11,161.89 in the reserve during 2002-2003.

Reserve for property loss

41. In 1987, UNICEF established a reserve of $100,000 to self-insure for property losses. The reserve balance at the end of 2001 was $26,399. There were no movements in the reserve during 2002-2003.

Note 20
After-service health insurance reserve

42. In order to gain a better understanding of the financial dimensions of the organization's liability for after-service health insurance, a consulting actuary was engaged in 2003 to carry out an actuarial valuation of post-retirement health insurance benefits as at 31 December 2003. On the basis of that study, it has been estimated that UNICEF liability as at 31 December 2003 for after-service health insurance benefits covering all participants is as follows:

	Present value of future benefits as at 31 December 2003	*Accrued liability as at 31 December 2003*
	(Thousands of United States dollars)	
Gross liability	339 309	233 428
Offset from retirees	73 294	50 971
Total	**266 015**	**182 457**

43. The present value of future benefits is the discounted value of all benefits, less retiree contributions, to be paid in the future to all current retirees and active employees expected to retire in the future. In actuarial terminology, it is called the expected post-retirement benefit obligation.

44. The accrued liability for future benefits represents that portion of the present value of benefits that has accrued from the date of hiring of an employee until the valuation date. An active employee's benefit is fully accrued when that employee has reached the date of full eligibility for benefits. Thus, for retirees and active employees who are eligible to retire with benefits, the present value of future benefits and the accrued liability are equal. In actuarial terminology, the accrued liability is called the accumulated post-retirement benefit obligation.

45. In 2003, the Executive Board authorized the establishment of a funded reserve for after-service health insurance, with an initial contribution of $30 million. Currently, disbursements for retirees are charged against the budget appropriations of the periods when actual payments are made.

Note 21
Other end-of-service liabilities

46. The net contingent liability for staff benefits as at 31 December 2003 is estimated at $66,952,000, consisting of the following:

	2003	*2001*
	(Thousands of United States dollars)	
Accumulated leave	33 041	35 839
Repatriation grant	33 911	20 655
Total	**66 952**	**56 494**

47. There is no provision in the accounts for the above amount. The expenditures will be charged against the budget appropriations of the periods when actual payments are made.

Note 22
United Nations Joint Staff Pension Fund

48. UNICEF is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligations of the organization to the Pension Fund consist of its mandated contribution at the rate established by the General Assembly, together with any share of any actuarial deficiency payments under article 26 of the Regulations and Rules of the Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date.

49. At the time of preparation of the present report, the General Assembly has not invoked this provision.

Note 23
Non-expendable property as at 31 December 2003

	2003	*2001*
	(Thousands of United States dollars)	
Cost of non-expendable property — UNICEF	52 922	52 322
Cost of non-expendable property — under UNICEF custody	65 708	
Total	**118 630**	**52 322**

50. All non-expendable property is charged against current year expenditure at the time of acquisition.

Note 24
Liquidity

51. UNICEF internal liquidity guidelines recommend a year-end regular resources convertible cash balance equal to at least 10 per cent of projected regular resources income for the following year.

52. The financial plan for 2003 recommended a minimum regular resources convertible cash balance of $66 million.

53. For the purpose of complying with this internal guideline, UNICEF cash balances, excluding trust funds, are estimated to be split between regular resources and other resources as follows:

	Regular resources	*Other resources*
	(Thousands of United States dollars)	
Convertible cash balance	201 887	462 816
Non-convertible cash balance	7 259	
Total	**209 146**	**462 816**

54. UNICEF complied with its internal liquidity guideline for the year 2003.

Note 25
In-kind contributions

55. During the biennium 2002-2003 UNICEF provided in-kind contributions to the following organizations.

	Total 2002-2003
	(Thousands of United States dollars)
Global Alliance for Vaccines and Immunization	953
Joint United Nations Programme on HIV/AIDS	113
United Nations Board of Auditors	45
Total	**1 109**

C. Schedules to the financial statements

Schedule 1
CONTRIBUTIONS RECEIVED OR PLEDGED FOR THE BIENNIUM ENDED 31 DECEMBER 2003
(In thousands of United States dollars)

Donor	Regular resources			Other resources						TOTAL
				Supplementary funds			Emergency relief and rehabilitation			
	Governments and intergovernmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	
COUNTRIES										
Algeria	40		40	500		500				540
Andorra	35		35	50	193	243	112	47	159	437
Angola	2		2							2
Argentina				17	2 262	2 279				2 279
Armenia	7		7							7
Australia	5 509		5 509	18 970	3 307	22 277	16 865	1 391	18 256	46 042
Austria	2 050		2 050		281	281	393	593	986	3 317
Bahamas	2		2							2
Bangladesh	35		34	157		157		1	1	192
Barbados	51		51							51
Belgium	5 296		5 296	3 994	1 330	5 324	8 407	1 342	9 749	20 369
Belize	101		101							101
Bhutan	28		28							28
Bolivia				686		686				686
Brazil					10 716	10 716				10 716
Brunei Darussalam							272		272	272
Bulgaria	3		3							3
Burundi	1		1							1
Cambodia	5		5							5
Cameroon	28		28							28
Canada	17 674		17 674	68 688	5 851	74 539	52 740	3 140	55 880	148 093
Cape Verde	2		2							2
Central African Republic					6	6				6
Chile	139		139		383	383		59	59	581
China	2 335		2 335	30	496	526		1	1	2 862
Colombia	400		400		1 560	1 560				1 960
Costa Rica	17		17		6	6				23
Côte d'Ivoire							76		76	76
Croatia	1		1		65	65				66
Cuba	15		15							15
Cyprus	10		10							10
Czech Republic	345		345		55	55	33	18	51	451
Democratic People's Republic of Korea	1		1							1
Democratic Republic of the Congo							500		500	500
Denmark	50 152		50 152	5 306	699	6 005	11 716	1 515	13 231	69 388
Djibouti	1		1							1
Dominican Republic					113	113				113
Ecuador					477	477				477
Egypt	(1)		(1)							(1)
El Salvador	26		26							26
Equatorial Guinea					13	13				13
Estonia	37		37							37

Schedule 1 (continued)

Donor	Regular resources			Other resources						TOTAL
				Supplementary funds			Emergency relief and rehabilitation			
	Governments and intergovernmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	
Ethiopia	99		99							99
Fiji	2		2							2
Finland	25 462		25 462	1 970	1 731	3 701	6 114	689	6 803	35 966
France	15 525		15 525	2 355	11 104	13 459	2 570	5 591	8 161	37 145
Gabon					3	3				3
Gambia	10		10							10
Germany	10 580		10 580	145	36 526	36 671	3 698	22 958	26 656	73 907
Ghana					1	1				1
Greece	565		565		549	549	307	380	687	1 801
Guyana	6		6							6
Honduras	50		50	185		185				235
Hong Kong (China)					3 567	3 567		1 497	1 497	5 064
Hungary	4		4		13	13		106	106	123
Iceland	248		248							248
India	643		643	548	417	965		1	1	1 609
Indonesia	100		100		408	408				508
Iran, Islamic Republic of	160		160							160
Ireland	13 213		13 213	5 227	750	5 977	8 425	1 150	9 575	28 765
Israel	180		180							180
Italy	25 060		25 060	22 484	12 182	34 666	16 113	5 397	21 510	81 236
Jamaica	1		1							1
Japan	46 800		46 800	95 293	15 608	110 901	76 970	14 147	91 117	248 818
Jordan	28		28							28
Kazakhstan							10		10	10
Kuwait							450		450	450
Lao People's Democratic Republic	11		11							11
Latvia	10		10							10
Lebanon	5		5		(6)	(6)				(1)
Lesotho	4		4							4
Liechtenstein	14		14	5		5	6		6	25
Lithuania							45		45	45
Luxembourg	1 234		1 234	2 595	679	3 274	615	144	759	5 267
Madagascar	5		5	161		161				166
Malaysia	84		84							84
Maldives	15		15							15
Mali	17		17							17
Mauritius	9		9							9
Mexico	414		414	37	1 409	1 446		2	2	1 862
Monaco	50		50							50
Mongolia	22		22							22
Morocco	96		96		174	174				270
Myanmar	5		5							5
Namibia	1		1		98	98				99
Netherlands	60 010		60 010	59 883	6 475	66 358	37 292	4 158	41 450	167 818
New Zealand	2 115		2 115	2 292		2 292	2 553	287	2 840	7 247
Nicaragua	10		10	124	3	127				137
Nigeria					94	94				94

Schedule 1 (continued)

Donor	Regular resources			Other resources						TOTAL
				Supplementary funds			Emergency relief and rehabilitation			
	Governments and intergovernmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	
Norway	85 410		85 410	64 923	488	65 411	44 848	593	45 441	196 262
Oman	55		55	221	39	260				315
Pakistan	131		131		36	36				167
Panama	27		27	300	62	362				389
Paraguay					20	20				20
Peru	10		10		22	22				32
Philippines	108		108		997	997				1 105
Poland	35		35				15		15	50
Portugal	340		340	8	114	122	118	376	494	956
Qatar	10		10							10
Republic of Korea	4 200		4 200	120	914	1 034	4 870	1 024	5 894	11 128
Romania	22		22							22
Russian Federation	1 000		1 000		58	58				1 058
Samoa	2		2							2
San Marino								15	15	15
Saudi Arabia	2 000		2 000	50	158	208		122	122	2 330
Senegal				54	1	55				55
Singapore	100		100		35	35				135
Slovak Republic	12		12		9	9		37	37	58
Slovenia	40		40		131	131	72	257	329	500
South Africa	24		24		72	72	95		95	191
Spain	3 957		3 957	26	13 329	13 355	1 077	4 456	5 533	22 845
Sri Lanka	31		31	437	4	441				472
Swaziland	1		1							1
Sweden	66 368		66 368	62 048	3 256	65 304	48 408	724	49 132	180 804
Switzerland	24 444		24 444	2 916	11 302	14 218	2 393	1 149	3 542	42 204
Syrian Arab Republic	6		6		56	56				62
Thailand	417		417		4 091	4 091		2	2	4 510
The former Yugoslav Republic of Macedonia	3		3							3
Trinidad and Tobago	6		6							6
Tunisia	86		86		22	22				108
Turkey	240		240		357	357	100		100	697
Ukraine	15		15							15
United Arab Emirates	300		300		272	272				572
United Kingdom of Great Britain and Northern Ireland	53 744		53 744	67 129	24 335	91 464	80 819	8 865	89 684	234 892
United States of America	239 220		239 220	194 490	42 350	236 840	101 169	9 409	110 578	586 638
Uruguay					188	188				188
Venezuela					428	428				428
Viet Nam	27		27		3	3				30
Virgin Islands (United Kingdom)	2		2							2
Zimbabwe	1		1		7	7				8
Subtotal, countries	769 607		769 607	684 426	222 752	907 178	530 266	91 643	621 909	2 298 694
INTERGOVERNMENTAL AGENCIES										
African Development Bank				500		500				500
Agfund				190		190				190
Asian Development Bank				125		125				125

Schedule 1 (continued)

Donor	Regular resources			Other resources						TOTAL
				Supplementary funds			Emergency relief and rehabilitation			
	Governments and intergovernmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	
Council of Europe Development Bank				360		360				360
European Commission Humanitarian Office				6 520		6 520	46 356		46 356	52 876
European Economic Community				6 901		6 901	13 321		13 321	20 222
OPEC Fund				200		200	350		350	550
African Union							477		477	477
Others, regular resources	135		135							135
Commonwealth Secretariat				48		48				48
Subtotal, intergovernmental agencies	135		135	14 844		14 844	60 504		60 504	75 483
Income adjustments to prior periods	1 373		1 373	(3 269)		(3 269)	(2 199)		(2 199)	(4 094)
Refund of contributions				(2 195)		(2 195)	(3 983)		(3 983)	(6 177)
TOTAL GOVERNMENTS AND INTER-GOVERNMENTAL AGENCIES	771 115		771 115	693 806	222 752	916 558	584 588	91 643	676 231	2 363 904
NON-GOVERNMENTAL ORGANIZATIONS										
Canada (various)					6 371	6 371				6 371
Cayman Islands (various)		20	20							20
GAVI					2 503	2 503				2 503
Germany (various)		0	0		105	105		150	150	255
IFRC					578	578				578
ICRC					5	5				5
Iraq (various)								414	414	414
Italy (various)					9	9				9
Japan (various)		1 000	1 000		1 042	1 042		1 500	1 500	3 542
Liechtenstein (various)					104	104				104
Monaco (various)					118	118				118
NetAID Foundation					15	15				15
Others, regular resources		3	3							3
Plan International					65	65				65
Portugal (various)					81	81				81
Rotary International					11 740	11 740				11 740
Singapore (various)					10	10				10
Switzerland (various)		31	31		101	101				132
Thailand (various)					50	50				50
The Institute of Economics (Serbia)					44	44				44
United Nations Staff		1	1							1
United Arab Emirates (various)					53	53		298	298	351
United Kingdom of Great Britain and Northern Ireland (various)					30	30				30
United States of America (various)		21	21		46 491	46 491		273	273	46 785
World Conference on Religion and Peace								300	300	300
Subtotal, non-governmental organizations		1 076	1 076		69 515	69 515		2 935	2 935	73 526

Schedule 1 (concluded)

Donor	Regular resources			Other resources						TOTAL
				Supplementary funds			Emergency relief and rehabilitation			
	Governments and intergovernmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	
Income adjustments to prior periods		2 215	2 215		(241)	(241)		4	4	1 979
Refund of contributions					(2 331)	(2 331)		(271)	(271)	(2 603)
TOTAL GOVERNMENTS, INTERGOVERNMENTAL AND NON-GOVERNMENTAL AGENCIES	771 115	3 291	774 406	693 806	289 695	983 501	584 588	94 311	678 899	2 436 806
INTER-ORGANIZATION ARANGEMENTS										
UNAIDS					26 324	26 324				26 324
United Nations agencies					11	11				11
United Nations DPKO					865	865		97	97	962
United Nations Trust Fund for Human Security					3 484	3 484				3 484
United Nations, Secretariat					806	806		2 142	2 142	2 948
UNDP					363	363		743	743	1 106
UNESCO					76	76				76
UNFPA					453	453				453
UNHCR					382	382		410	410	792
UNOCHA					10	10		153	153	163
UNODC					135	135				135
UNMEE								67	67	67
WHO					817	817		577	577	1 394
World Bank					1 307	1 307		400	400	1 707
Subtotal, inter-organization arrangements					35 033	35 033		4 588	4 588	39 623
Income adjustments to prior periods		2	2		(17)	(17)		(2)	(2)	(18)
Refund of contributions					(242)	(242)				(243)
TOTAL INTER-ORGANIZATION ARRANGEMENTS		2	2		34 774	34 774		4 586	4 586	39 362
GRAND TOTAL	771 115	3 293	774 408	693 806	324 469	1 018 275	584 588	98 897	683 485	2 476 168

SUMMARY	Regular Resources	Supplementary Funds	Emergency Relief & Rehabilitation	Total
Governments	770 541	679 160	524 497	1 974 198
Intergovernmental agencies	574	14 646	60 091	75 311
National Committees	1 724	222 502	91 602	315 828
Non-governmental organizations	1 567	67 193	2 709	71 469
Inter-organization arrangements	2	34 774	4 586	39 362
GRAND TOTAL	774 408	1 018 275	683 485	2 476 168
Contributions received in cash				2 466 801
Contributions received in kind				9 367
TOTAL CONTRIBUTIONS				2 476 168

SCHEDULE 2

CONTRIBUTIONS RECEIVABLE FOR REGULAR RESOURCES, SUPPLEMENTARY FUNDS AND EMERGENCY RELIEF AND REHABILITATION
AS AT 31 DECEMBER 2003
(In thousands of United States dollars)

Donor	Regular resources			Other resources						Total
				Supplementary funds			Emergency relief and rehabilitation			
	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	
GOVERNMENTS										
Australia				1 912		1 912	1 230		1 230	3 142
Austria							187		187	187
Belgium	5		5				706		706	711
Bhutan	15		15							15
Burundi	1		1							1
Cameroon	14		14							14
Canada				1 076		1 076	5 906		5 906	6 982
Cape Verde	1		1							1
CDC				46 241		46 241	400		400	46 641
CIDA: Food Aid Centre							981		981	981
Colombia	230		230							230
Estonia										
France				1 134		1 134				1 134
Gambia	10		10							10
Germany	73		73				8		8	81
Iran, Islamic Republic of	53		53							53
Ireland - Development Cooperation Office				364		364				364
Irish Aid Division				244		244				244
Italy				278		278	594		594	872
Jamaica	60		60							60
Japan				16 359		16 359				16 359
Lao People's Democratic Republic	5		5							5
Lesotho	3		3							3
Liechtenstein							18		18	18
Luxembourg				372		372	461		461	833
Madagascar	5		5							5
Malaysia	84		84							84
Maldives	8		8							8
Morocco	4		4							4
Namibia	1		1							1
Netherlands				6 269		6 269				6 269
New Zealand				206		206				206
Norway				789		789	6		6	795
Norway - NORAD				1 515		1 515				1 515
Palau	1		1							1
Peru	10		10							10
Sweden										
Sweden - SIDA				12 609		12 609	8 287		8 287	20 896
Switzerland							802		802	802
The former Yugoslav Republic of Macedonia	2		2							2

SCHEDULE 2 (continued)

Donor	Regular resources			Other resources						Total
				Supplementary funds			Emergency relief and rehabilitation			
	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	
United States Department of Labor				811		811				811
Ukraine	15		15							15
United States Department of State				500		500				500
United Kingdom of Great Britain and Northern Ireland				22 508		22 508	2 818		2 818	25 326
United States of America				316		316				316
United States International Narcotics and Law Enforcement				224		224				224
USAID/OFDA				105		105	18 256		18 256	18 361
USAID/Washington				32 299		32 299	39 785		39 785	72 084
Venezuela	47		47							47
Yemen	35		35							35
Subtotal, Governments	682		682	146 131		146 131	80 445		80 445	227 258
INTERGOVERNMENTAL AGENCIES										
Agfund				111		111				111
European Commission				3 283		3 283	4 011		4 011	7 294
ECHO				653		653	5 746		5 746	6 399
Inter-American Development Bank				105		105				105
OPEC Fund				50		50	250		250	300
Subtotal, intergovernmental agencies				4 202		4 202	10 007		10 007	14 209
NATIONAL COMMITTEES FOR UNICEF										
Subtotal, National Committees										
NON-GOVERNMENTAL ORGANIZATIONS										
Columbia University					14	14				14
Helen Keller Worldwide					56	56				56
International Development Research					7 683	7 683				7 683
Rotary International										
Subtotal, non-governmental agencies					7 753	7 753				7 753
INTER-ORGANIZATIONAL ARRANGEMENTS										
IFAD					156	156				156
UNODC					45	45				45
UNAIDS					8 741	8 741				8 741
UNDP		17	17							17
WHO					78	78				78
Subtotal, inter-organization arrangements		17	17		9 020	9 020				9 037

SCHEDULE 2 (concluded)

Donor	Regular resources			Other resources						Total
				Supplementary funds			Emergency relief and rehabilitation			
	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	Governments and inter-governmental agencies	Non-governmental sources	Subtotal	
ADJUSTMENTS										
141111 Adj-contri rec for cur & prior yr			51			7 614			3 117	10 782
141121 Adj-contri rec for cur & prior yr						54				54
142911 Adjustments-cash receipts to be applied			62			-62				
Subtotal contribution adjustment			113			7 606			3 117	10 836
GRAND TOTAL	682	17	812	150 333	16 773	174 712	90 452		93 569	269 093
SUMMARY										
Governments			682			146 131			80 445	227 258
Intergovernmental agencies						4 202			10 007	14 209
National Committees										
Non-governmental organizations						7 753				7 753
Inter-organization arrangements			17			9 020				9 037
Contribution adjustment			113			7 606			3 117	10 836
GRAND TOTAL			812			174 712			93 569	269 093

Schedule 3

TRUST FUNDS FOR THE BIENNIUM ENDED 31 DECEMBER 2003

(In thousands of United States dollars)

	Balances as at 1 January 2002	Funds received & adjustments	Funds disbursed	Balances as at 31 December 2003
GOVERNMENTS AND OTHERS				
Procurement services	51 276	216 032	203 791	63 517
Procurement services on behalf of GAVI	87 470	199 605	141 226	145 849
Other trust funds	41 642	341 260	323 605	59 297
Junior Professional Officers	6 551	25 016	18 907	12 660
Subtotal	*186 939*	*781 913*	*687 529*	**281 323**
UNITED NATIONS SYSTEM				
International Labour Organization (ILO)	9	29	29	9
United Nations agencies	14	30	40	4
United Nations, Secretariat	(31)	32	2	(1)
UNAIDS	2 115	1 526	2 922	719
UNFPA		298	275	23
UNDP	33	909	585	357
UNOPS	3	(3)		
UNOCHA	5	(5)		
UNOIP	(66 494)	193 921	141 280	(13 853)
UNRWA	46	137	171	12
World Bank	(291)		8	(299)
WFP	5	153	166	(8)
WHO	240	1 705	1 857	88
Subtotal	*(64 346)*	*198 732*	*147 335*	**(12 949)**
Net balances	**122 593**	**980 645**	**834 864**	**268 374**
Total debit balances	**75 651**			**21 023**
Total credit balances	**198 244**			**289 397**

Annex I

Income and expenditures and changes in reserves and fund balances for the years ended 31 December 2002 and 31 December 2003

(In thousands of United States dollars)

	Regular resources		Other resources: Supplementary funds		Other resources: Emergency relief & rehabilitation		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
INCOME								
Voluntary contributions								
Governments	403 457	367 658	351 132	342 674	381 518	203 070	1 136 107	913 402
Less: Transfer to support budget	(8 387)	(7 462)					(8 387)	(7 462)
	395 070	360 196					1 127 720	905 940
Non-governmental/private sector	2 210	1 081	140 341	149 354	60 406	33 905	202 957	184 340
Private Sector Division	289 416	281 380					289 416	281 380
Funds received under inter-organization arrangements	2		21 685	13 089	1 005	3 581	22 692	16 670
Other income								
Interest income	13 467	16 901					13 467	16 901
Miscellaneous income	10 682	27 861					10 682	27 861
Currency exchange adjustments	12 812	13 926					12 812	13 926
TOTAL INCOME	723 659	701 345	513 158	505 117	442 929	240 556	1 679 746	1 447 018
EXPENDITURE								
Programme assistance	392 354	347 395	481 701	442 059	353 152	253 327	1 227 207	1 042 781
Programme support	155 025	145 310					155 025	145 310
Total programme cooperation	547 379	492 705	481 701	442 059	353 152	253 327	1 382 232	1 188 091
Management and administration	86 589	79 216					86 589	79 216
TOTAL EXPENDITURES	633 968	571 921	481 701	442 059	353 152	253 327	1 468 821	1 267 307
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	89 691	129 424	31 457	63 058	89 777	(12 771)	210 925	179 711
Write-offs/prior period's adjustments	4 227	606	2 160	2 048	4 389	2 971	10 776	5 625
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	85 464	128 818	29 297	61 010	85 388	(15 742)	200 149	174 086
Reserve balances, 1 January	28 961	28 933					28 961	28 933
Transfer to after-service health insurance	(30 000)						(30 000)	
Increase in reserves	30 053	28					30 053	28
Fund balances, 1 January	312 572	183 754	410 243	349 233	128 177	143 919	850 992	676 906
RESERVES AND FUND BALANCES, 31 DECEMBER	427 050	341 533	439 540	410 243	213 565	128 177	1 080 155	879 953

Annex II

Glossary of selected UNICEF terminology

accounts, audited. The financial statements of the organization for a specified period or at a specified date audited by the External Auditors (United Nations Board of Auditors).

accrual basis of accounting. The accrual basis of accounting for revenue in each financial period means that income is recognized when it is due and not when it is received. Accrual of expenditures in each financial period means that costs are recognized when obligations arise or liabilities are incurred and not when payments are made.

asset. An asset is a resource owned by or due to the organization as a result of past events.

budget. A plan in financial terms for carrying out proposed activities in a specified time. The term "budget" is used to refer to UNICEF programme support, management and administration costs, and programme assistance, as well as to the Private Sector Division. However, the Executive Board approves an appropriation of funds only for the UNICEF support budget and the regular resources part of intercountry programmes.

budget appropriations. The total appropriation of funds approved by the Executive Board for UNICEF programme support, management and administration costs, and programme assistance against which obligations may be incurred for those purposes up to the amount so approved.

budget estimates. Estimates of the costs of proposed programme support, management and administration, and programme assistance prepared for submission to the UNICEF Executive Board for the approval of relevant appropriations.

budget estimates, revised. Resulting from Executive Board approval of "supplementary estimates" proposed to adjust an approved budget.

cash holdings. The aggregation of all the funds of the organization, including coins, bank notes, cheques, balances in current and call accounts, savings accounts and interest-bearing deposits.

cash-in-transit. Cash transfers between one or more UNICEF bank accounts at a specified time.

cash in current bank accounts. The aggregate of money maintained in UNICEF bank accounts, as reflected in the UNICEF books of account, to sustain operational requirements.

cash in interest-bearing deposits. Funds temporarily available, over those needed for immediate requirement, held in short-term, interest-bearing deposits and ready to be drawn down when needed.

cash-on-hand (also called "petty cash"). Cash kept on hand by authorized officers as a convenience for making small payments on behalf of the organization.

contributions, voluntary. Contributions to UNICEF that are offered and accepted without reference to a scale of assessment determined by any United Nations legislative body.

contributions receivable. Contributions pledged to UNICEF but not received until a future time.

currencies of "restricted use" for UNICEF. Currencies, the use of which (mainly in respect of transferability and convertibility) is limited because of foreign exchange regulations or a donor's wish. When those limitations do not exist, the currencies are considered by UNICEF as "unrestricted" because they are fully convertible.

earmark. To give expression to a restriction imposed by agreement or by administrative action on the use of an account or of an equivalent amount of assets.

expenditures. Expenditure for a financial period is the sum of the disbursements and valid unliquidated obligations made against the appropriation/allocation for the period.

financial periods. The operating period of the organization, covered by the financial statements, is the biennium.

financial regulations. Until 31 December 1987, UNICEF accounts were maintained in accordance with the Financial Regulations of the United Nations, with such modifications as required by the nature of UNICEF work. Since 1 January 1988, UNICEF accounts have been maintained in accordance with the UNICEF Financial Regulations and Rules.

fund balance. Fund balances and reserves represent the difference between the assets and the liabilities of the organization. A fund balance consists of funds available for the implementation of programmes funded by regular resources and supplementary funds as well as funds available for the acquisition of capital assets.

income. Income for a financial period is defined as money or money equivalent received or accrued during the financial period which increases existing net assets. UNICEF income is recorded on the basis of funds or pledges received for the current year. It comprises funds classified as "regular resources", "supplementary funds" and "emergency relief and rehabilitation".

income, deferred. Funds received or pledges recorded as receivable, attributable to future financial periods and, therefore, not credited to the income account of the period reported on.

income, regular resources. Unearmarked income, which includes funds from voluntary annual contributions of Governments, the net income from the Private Sector Division, funds contributed by the public and certain other (or miscellaneous) income.

income, other. Also referred to as "miscellaneous income" for regular resources. Miscellaneous income is defined in the United Nations system as income other than (a) the value of assessed or voluntary contributions; and (b) such other income items as may be excluded under the organization's Financial Regulations and Rules. In UNICEF, this includes income other than the value of the voluntary contributions and the net income of the Private Sector Division.

income, supplementary funds. Specific contributions for programmes approved by the UNICEF Executive Board, in addition to regular resources, which then become part of UNICEF programmes. It consists of funds contributed to UNICEF by Governments, non-governmental organizations and United Nations agencies for specific purposes.

income, emergency relief and rehabilitation. Consists of funds contributed to UNICEF by Governments, non-governmental organizations and United Nations agencies for emergency appeals.

inventory. The value of supplies and equipment for programmes owned by the organization, as well as Private Sector Division materials, at the end of an accounting or financial period.

liability. A liability is a present obligation of the organization arising from past events, the settlement of which is expected to result in an outflow of resources from the organization.

liquidity policy. Owing to the nature of programme implementation and UNICEF cash flows, there may occur, from time to time, short-term imbalances between regular resources cash disbursements and cash receipts. The UNICEF liquidity policy allows these temporary imbalances to be offset by up to one half of the balance of supplementary cash on hand.

liquidity requirement. In order to meet UNICEF liquidity requirements, regular resources convertible cash balances, at the end of each fiscal year, are required to equal 10 per cent of projected regular resources income for the next fiscal year.

local currency. The currency of the country or area in which the local financial records of an activity are kept and/or in which its local financial transactions take place.

non-expendable property. Items of property and equipment charged to the administrative budget with an individual unit cost of at least $1,500.

obligation. Obligations are amounts of orders placed, contracts awarded, services received and other transactions which involve a charge against the resources of the current financial period. Obligations may be maintained either for that period or until liquidated or cancelled.

pledge. A written commitment by a prospective donor to make a voluntary contribution to UNICEF. A written commitment which is subject to the need to secure appropriate national legislative approval is considered a pledge.

procurement services. UNICEF assists Governments, United Nations agencies and non-governmental organizations working in fields of benefit to children by undertaking, on request and on a reimbursable basis, the procurement of goods and services. A small handling charge is added by UNICEF to the cost of the supplies and services to cover the costs of extra administration and documentation (see **trust funds**).

rates of exchange. The UNICEF accounts are maintained in United States dollars. Transactions in other currencies are converted for recording into United States dollars, in principle, at the United Nations operational rates of exchange.

reserve for insurance. A reserve of $200,000 was established by the Executive Board in November 1950 when UNICEF adopted a policy of self-insurance for programme supplies. UNICEF also has a reserve for third-party liability, which had a balance as of 31 December 2003 of $26,399.

schedule. Explanatory or supporting analyses accompanying financial statements.

trust funds. Funds accepted by UNICEF mainly to cover the costs of procurement of supplies and services undertaken by UNICEF on behalf of others. They also include financing provided by sponsors to cover the costs relating to Junior Professional Officers, as well as those relating to projects funded by the World Bank, the oil-for-food programme in Iraq and the Global Alliance for Vaccines and Immunization. These funds are not considered to be UNICEF income.

specific contributions. Programme recommendations are often prepared in excess of the input available from regular resources. These recommendations are approved by the Executive Board as suitable for funding by supplementary contributions and contributions for emergency relief and rehabilitation from donors. When a contribution for specific purposes is made for such a programme, the corresponding commitment enters into effect (usually between Executive Board sessions).

unencumbered balance. That portion of the approved budget that has not been expended at the end of the year. The unspent balance at the end of the biennium is cancelled and reported to the Executive Board.

write-off. An adjustment to the accounts in order to record the loss of or reduction in the value of an asset.

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